

# Toward Smarter Taxation:

## *An Analysis of a Split-Rate Property Tax Structure in South Bend, IN*

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# Table of Contents

<b>Introduction.....</b>	<b>4</b>
<b>Executive Summary.....</b>	<b>5</b>
<b>United States’ Property Tax.....</b>	<b>6</b>
Unified-Rate Taxes.....	6
Land Value Tax (LVT).....	7
<b>Our Proposal: Split-Rate Taxation.....</b>	<b>10</b>
Theoretical Framework.....	10
Split-Rate in Practice.....	14
<b>South Bend, Indiana.....</b>	<b>19</b>
South Bend Demographics & Market Analysis.....	19
Why is South Bend the City for Split-Rate?.....	20
<b>Data Analysis.....</b>	<b>25</b>
Methodology.....	25
Impact by Property Category.....	27
Impact on Income.....	29
Impact on Vacancy & Land Value.....	30
Homesteads & Non-Homesteads.....	32
Out-of-State Ownership.....	34
<b>Implementation.....</b>	<b>36</b>
South Bend’s Authority to Alter Its Tax Code.....	36
Implementation Steps - A Realistic Timeline.....	40
<b>Implementation Barriers.....</b>	<b>43</b>
Property Tax Caps & Assessment Methodologies.....	43
Tax Increment Financing.....	44
<b>Conclusion.....</b>	<b>50</b>
<b>Appendix A - Figures.....</b>	<b>51</b>
<b>Appendix B - Maps.....</b>	<b>56</b>
<b>Appendix C - Tables.....</b>	<b>59</b>

## Introduction

Student Policy Network (SPN) is a student-run organization at the University of Notre Dame that provides undergraduate students with opportunities to pursue policy research and advocacy projects in real-world settings. This semester, the SPN Property Law & Economic Development research team, in collaboration with the Center for Land Economics, has undertaken a comprehensive examination and analysis of a split-rate property tax system in South Bend, Indiana. Throughout this semester, **our team has developed a model of a 4:1 land to improvement ratio split-rate tax structure in South Bend** and assessed the feasibility of implementing such a system in an Indiana municipality. Our paper explores the **theoretical argument for a split-rate system and utilizes our model to assess its impacts on various groups in South Bend**. We also examine why South Bend is an ideal city for a split-rate system in theory and whether that statement is true under the assumptions of our model. Finally, we conclude with implementation barriers and recommendations. We endeavor to explain the split-rate tax system and examine the possible consequences of its implementation in South Bend.

### *Acknowledgements*

Throughout our research, the Student Policy Network received significant help and insight from community members, economic development advocates, and experts. Their generous time and support were invaluable to the success of the project. Namely,

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## Executive Summary

With many cities across America looking for ways to revitalize, policymakers are faced with finding ways to encourage economic growth and create fair taxation policy while also maintaining necessary revenue. This is particularly true in South Bend, a city quickly rebounding from a decline of industry and subsequent decrease in investment and development.<sup>1</sup> **Through shifting the tax burden away from improvements and towards land, a reimagined tax system has the potential to incentivize development and stimulate the economic activity that follows.**<sup>2</sup>

The use of a split-rate property tax is, however, relatively rare in the United States.<sup>3</sup> **The lack of comparable examples necessitates further research into how the implementation of this type of tax would actually affect citizens and development within the city**, and whether the economic benefits apparent in theory come to fruition if South Bend transitioned to such a model.

This report will examine the potential implications of a split-rate property tax, including its effects on the tax base and potential economic development. **Utilizing available data on land parcels, land ownership, and property values, we seek to demonstrate how the implementation of a split-rate tax would affect South Bend.** We find that vacant properties and parking lots see the largest increase in their tax burden while multi-family complexes experience the largest decrease. This report also examines the legal barriers in implementing a split-rate tax. While South Bend cannot implement a split-rate tax on their own, the state has authority to enable South Bend to access this development tool.

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<sup>1</sup> *South Bend: Reinventing a “Dying City.”* (n.d.). New America.

<https://www.newamerica.org/work-workers-technology/reports/automation-nation/south-bend-reinventing-a-dying-city/>

<sup>2</sup> National Housing Conference, "Tax Abatements: The Basics," National Housing Conference Policy Guide, accessed April 2025, <https://nhc.org/policy-guide/tax-abatements-the-basics/>.

<sup>3</sup> Bowman, J., and Bell, M. (2004). *Implications of a Split-Rate Real Property Tax: An Initial Look at Three Virginia Local Government Areas*. Lincoln Institute of Land Policy - Working Paper. [https://www.lincolnst.edu/app/uploads/2024/04/905\\_BowmanBell\\_PDF.pdf](https://www.lincolnst.edu/app/uploads/2024/04/905_BowmanBell_PDF.pdf)

## United States' Property Tax

Localities in the United States primarily use unified-rate property taxes – taxing buildings and land as one class. However, other property tax methods exist, including land value taxes and split-rate taxes. Each method has the same fundamental objective: generate revenue. The systems differ in the incentives they create for land use and development. Below are explanations of the two systems that use a single rate when calculating tax burden.

### Unified-Rate Taxes

The unified-rate tax is by far the most common in the United States. Using this method, a property is assessed based on factors such as location, access to public services, and improvements.<sup>4</sup> This total amount – or, in some cases, a smaller amount based on an assessment rate or after exemptions – is then taxed at a set millage rate. This form of taxation, while simple, can be argued to encourage underutilization of land.<sup>5</sup>

The state of **Indiana currently follows an adapted version of the unified property tax system, applying the tax rate to both land and improvements.** Under this system, Indiana allows localities to set uniform rates to be levied on the taxable value of properties. However, a series of property tax exemptions and abatements may be applied to the assessed value of a property before the tax rate is applied. The most common exemption is the standard homestead exemption. Indiana also uses a property tax cap system where, across categories of property ownership – homesteads, residential properties, farmland, etc. – properties are taxed as a percentage of their gross assessed value.<sup>6</sup> In Indiana, these caps are referred to as circuit breaker credits. Under Indiana's adapted unified-rate system, property tax caps reflect the gross assessment of property as follows: 1% for homestead properties; 2% for residential properties;

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<sup>4</sup> Seabury, C. (2024). *Property Taxes: How They Are Calculated and Ranking by State*. Investopedia. <https://www.investopedia.com/articles/tax/09/calculate-property-tax.asp>

<sup>5</sup> Cohen, J., & Coughlin, C. (2005). *An introduction to two-rate taxation of land and buildings*. Federal Reserve Bank of St. Louis Review.

[https://www.researchgate.net/publication/5047393\\_An\\_Introduction\\_to\\_Two-Rate\\_Taxation\\_of\\_Land\\_and\\_Buildings](https://www.researchgate.net/publication/5047393_An_Introduction_to_Two-Rate_Taxation_of_Land_and_Buildings)

<sup>6</sup> *Property Tax Caps*. (n.d.). Boone County, Indiana Auditor's Office.

<https://boonecounty.in.gov/offices/auditor/property-tax-caps/#:~:text=Indiana%20property%20tax%20caps%20limit,3%25%20for%20all%20other%20property.>

2% for long-term care properties; 2% for agricultural land; 3% of nonresidential and personal properties.<sup>7</sup>

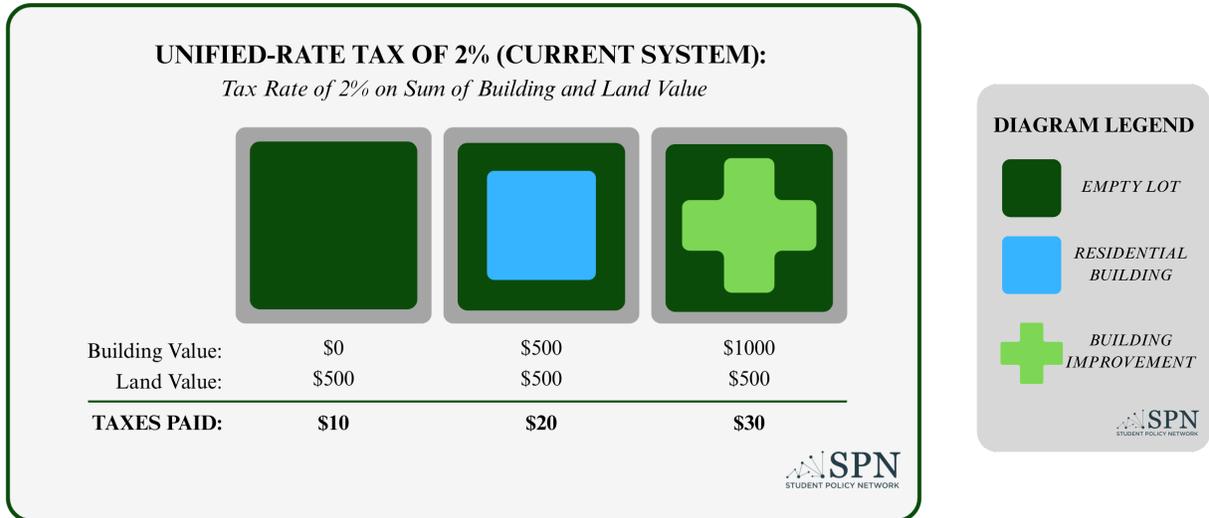


Fig. 1: Diagram of a unified-rate tax of 2% on the sum of building and land value.

## Land Value Tax (LVT)

Land value taxes (LVT) were first proposed in the 1870s by economist Henry George, who argued that taxing land at 100% of its rental value would create a more just and efficient tax system.<sup>8</sup> George contended that landowners benefit from rising land values driven by public investments and community growth, rather than their own efforts.<sup>9</sup> By capturing this unearned increase through taxation, an LVT would not only promote fairness and equity, but also reduce economic inefficiencies and speculation, ensuring that the value created by society is returned to the public rather than concentrated among a few landholders.

The most straightforward definition of a land value tax is a system that taxes the value of the land of a property exclusively.<sup>10</sup> The core idea behind a land value tax is to return the value of

<sup>7</sup> *Property Tax Caps & Circuit Breaker Credits Fact Sheet*. (2024). Indiana Department of Local Government Finance. <https://gov.pulaskionline.org/wp-content/uploads/sites/4/2024/05/2024-DLGF-240429-Fact-Sheet-Circuit-Breaker-Caps.pdf>

<sup>8</sup> Cohen, J., & Coughlin, C. (2005). *An introduction to two-rate taxation of land and buildings*. Federal Reserve Bank of St. Louis Review.

[https://www.researchgate.net/publication/5047393\\_An\\_Introduction\\_to\\_Two-Rate\\_Taxation\\_of\\_Land\\_and\\_Buildings](https://www.researchgate.net/publication/5047393_An_Introduction_to_Two-Rate_Taxation_of_Land_and_Buildings)

<sup>9</sup> Ibid.

<sup>10</sup> Kepner, E. & Mattoon, R. (2023). *Land Value Taxes: What They Are and Where They Come From*. Federal Reserve Bank of Chicago - Chicago Fed Letter.

<https://www.chicagofed.org/publications/chicago-fed-letter/2023/489#:~:text=Split%2Drate%20tax%20systems%20have,taxed%20at%20a%20lower%20rate.>

land to the community that created it. By shifting taxes away from buildings, development is no longer discouraged, eliminating the deadweight loss that comes from taxing property improvements. Under a pure land value tax, a vacant lot would be taxed the same as it would with a large development (Figure 2). The ideology behind such a tax is that by removing the tax on improvements to land, one also removes possible disincentives to develop the land to its fullest potential.<sup>11</sup> At the time it was invented and still today, this tax system is viewed as radical because it could lead to a significant shift in land use patterns, potentially leading to overdevelopment.<sup>12</sup> As seen in Figure 2, vacant land is penalized, as compared to a unified-rate system, whereas additional improvements face no additional taxes, encouraging development.

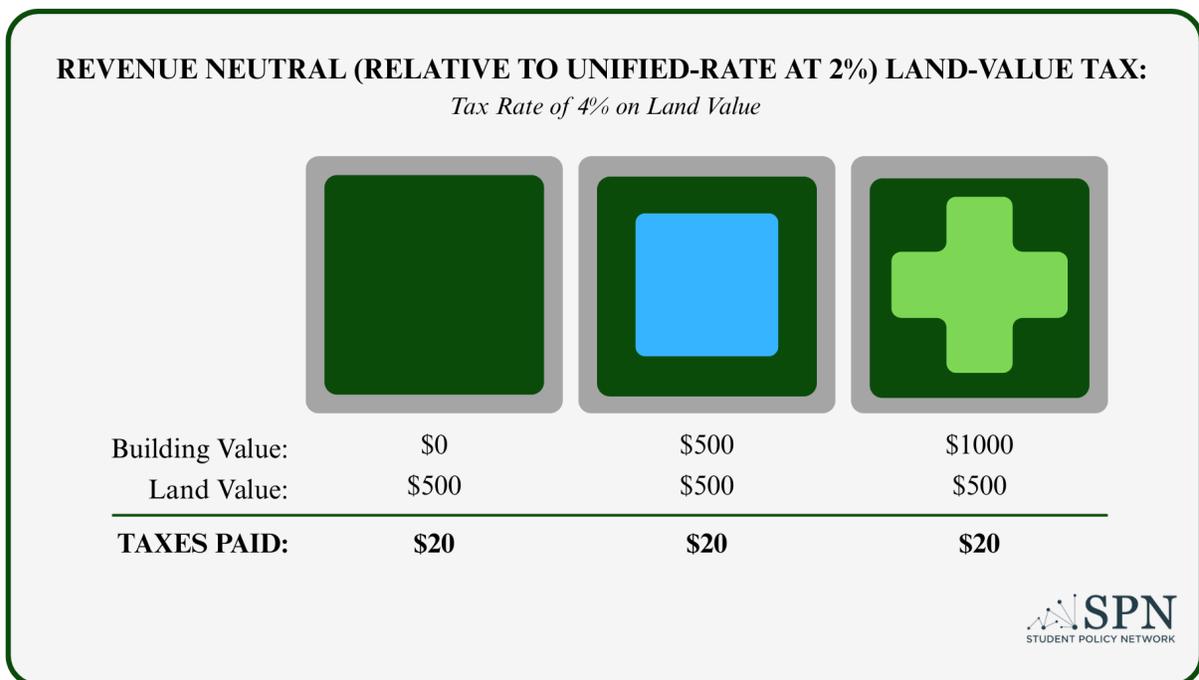


Fig. 2: Diagram of a revenue neutral (relative to unified-rate of 2%) land-value tax system with a rate of 4% on land value.

**Despite its potential to reduce inefficiencies and promote equity among property owners, the land value tax has been largely absent from contemporary property tax policy.**

<sup>11</sup> Ibid.

<sup>12</sup> *Value Capture: Frequently Asked Questions - Land Value Tax..* (2020). Center for Innovative Finance Support, U.S. Department of Transportation Federal Highway Administration. [https://www.fhwa.dot.gov/ipd/value\\_capture/defined/faq\\_land\\_value\\_tax.aspx#:~:text=Most%20State%20or%20local%20governments,against%20the%20value%20of%20land.](https://www.fhwa.dot.gov/ipd/value_capture/defined/faq_land_value_tax.aspx#:~:text=Most%20State%20or%20local%20governments,against%20the%20value%20of%20land.)

However, a hybrid tax system, known as the “split-rate tax” has piqued policymakers' interests as an effective way of promoting the goals of a land value tax.

# Our Proposal: Split-Rate Taxation

## Theoretical Framework

South Bend, like many post-industrial cities, has faced challenges in spurring economic growth and redeveloping vacant, blighted, or underutilized lots. More recently, the city has begun to experience a rebound in investment and population trends. **Adopting a split-rate property tax – taxing land at a higher millage rate than the improvements on the land – could allow the city of South Bend to reap substantial benefits**, including the better utilization of land and an increase in development.

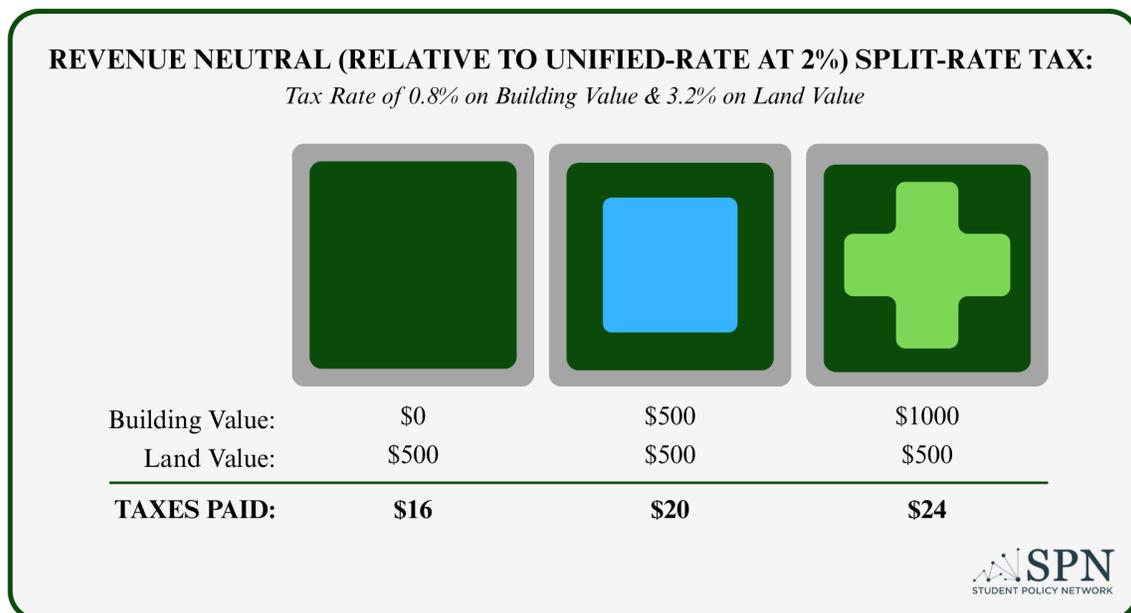


Fig. 3: Diagram of revenue neutral (relative to unified-rate of 2%) split-rate tax system with rates of 0.8% on building value and 3.2% on land value.

A split-rate model is a way to shift some of the tax burden from buildings to the value of land, serving as a medium between a unified property tax and a land value tax. Using a split-rate system, land and its improvements each have their own assessment values taxed at different millage rates.<sup>13</sup> The rate is set higher for the value of the land, and lower for improvements on

<sup>13</sup> *Value Capture: Frequently Asked Questions - Land Value Tax.* (2020). Center for Innovative Finance Support, U.S. Department of Transportation Federal Highway Administration. [https://www.fhwa.dot.gov/ipd/value\\_capture/defined/faq\\_land\\_value\\_tax.aspx#:~:text=Most%20State%20or%20local%20governments.against%20the%20value%20of%20land.](https://www.fhwa.dot.gov/ipd/value_capture/defined/faq_land_value_tax.aspx#:~:text=Most%20State%20or%20local%20governments.against%20the%20value%20of%20land.)

the land. In this way, a split-rate tax is different from an LVT, though the goals of more accurately valuing land and encouraging more efficient land use are similar. A **shift from a unified-rate system to that of a split-rate can be implemented to keep revenues neutral**, so long as the millage rate on the land is appropriately raised as the improvement millage rate is lowered.

Take, for example, a situation in which a parcel is valued at \$100,000, with improvements and land each representing half of that amount. In a unified-rate model with a tax rate of 2%, the entire assessed value would be taxed at said rate, with the bill coming out to \$2,000. Under a split-rate system, the \$50,000 of land value and \$50,000 of improvements would be treated as separate entities. By setting a rate of 0.8% on improvements and correspondingly raising the rate for land to 3.2%, the total tax bill remains the same at \$2,000 (see Figure 4). Of course, this is only a simple demonstration; in reality, the tax burden for some properties would decrease while others would go up. On a macro level, though, a revenue-neutral outcome can be achieved.

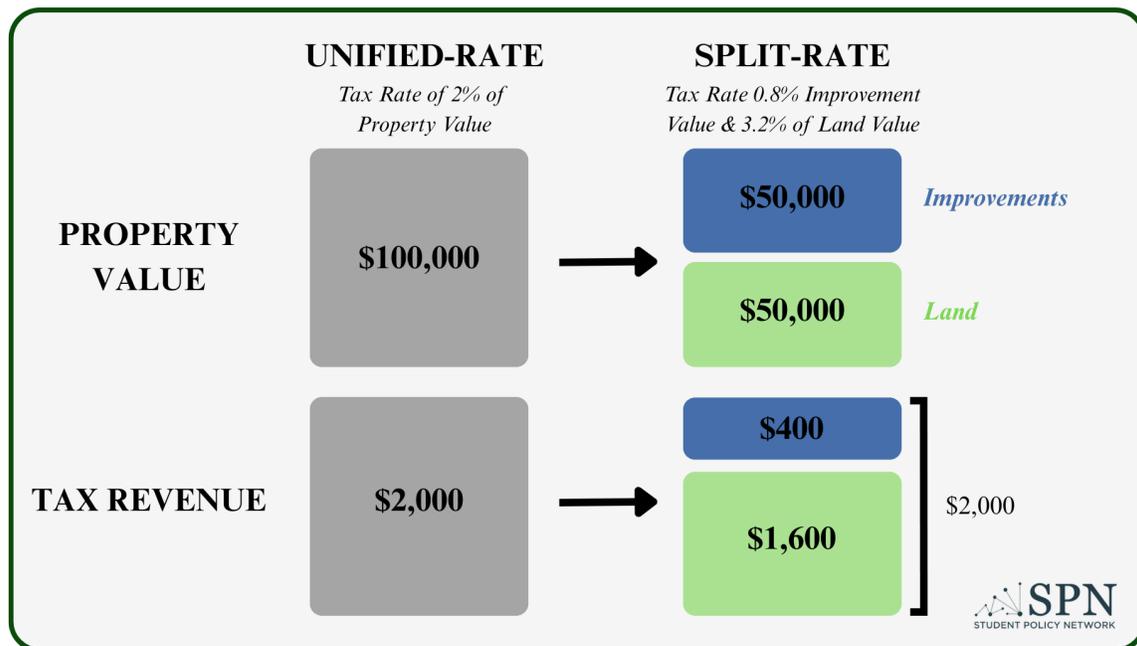


Fig. 4: Diagram of a revenue neutral split-rate tax of 2% with rates of 0.8% on building value and 3.2% on land value.

With a revenue-neutral approach, the focus shifts to the economic benefits that a split-rate tax can offer. To understand why these benefits arise, we first need to examine how this system of

taxation works. Taxes generally create deadweight loss—transactions that would occur in the absence of a tax but become infeasible due to higher prices. With split-rate taxation, individual parcels would be split into two categories: land and improvements. Because the supply of land is fixed (one cannot create more of it), the supply can be seen as constant and perfectly inelastic. No matter if a tax is imposed or not, the quantity available for consumption remains the same (Figure 5, Scenario B). Improvements, though, have an elastic supply and thus are sensitive to changes in price. If a tax is imposed, the ultimate result is that fewer buildings are “consumed” and fewer are built (Figure 5, Scenario A). **By adjusting the majority of the burden to the “immovable” land category and less to that of the sensitive improvements, total deadweight loss can be reduced, allowing more transactions to occur and encouraging new building and development.**

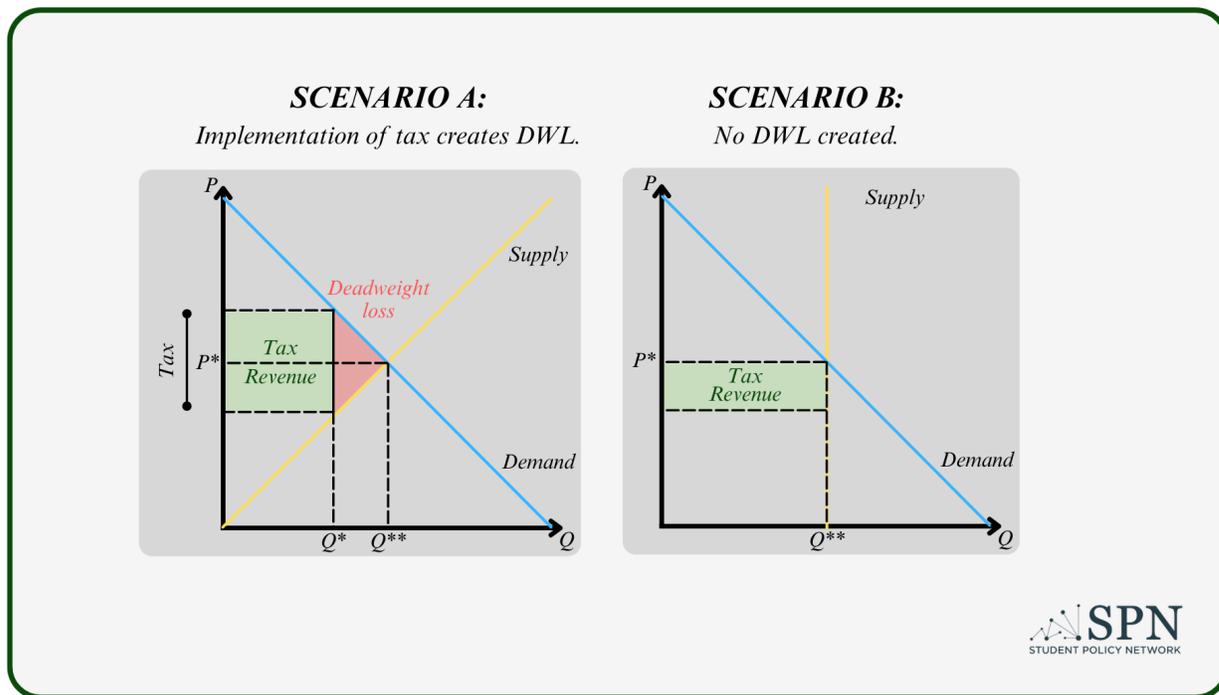


Fig. 5: Deadweight loss as a result of taxation.

Thus, split-rate taxation would likely also lead to better utilization of individual parcels of land.<sup>14</sup> By removing a cost associated with improving land, the system theoretically encourages land

<sup>14</sup> Cohen, J., & Coughlin, C. (2005). *An introduction to two-rate taxation of land and buildings*. Federal Reserve Bank of St. Louis Review. [https://www.researchgate.net/publication/5047393\\_An\\_Introduction\\_to\\_Two-Rate\\_Taxation\\_of\\_Land\\_and\\_Buildings](https://www.researchgate.net/publication/5047393_An_Introduction_to_Two-Rate_Taxation_of_Land_and_Buildings)

owners to invest in improvements to their property. Additionally, under the split-rate taxation system, land in higher value areas (concentrated urban centers) is taxed more as the land has a higher value. Owners would be incentivized to invest in developing the land to offset this burden. In other words, an urban parking lot – a parcel with a high land-to-improvements ratio – may no longer make sense. Instead, the owners may opt to build an office building, apartment complex, or store – lowering the land-to-improvement ratio – as it would no longer be financially viable for them to pay such high taxes on a parcel that makes comparatively little revenue.

**Owners of vacant and underutilized lots would be pushed to develop or sell their property, thus stimulating economic activity and increasing building rates.**<sup>15</sup> Those with low land-to-improvement ratio properties, such as homes and adequately built-up business and commercial developments, could see lower overall tax burdens, while properties in which the assessed land value is comparatively more than the assessed improvements value would see an increase in their tax bill.<sup>16</sup>

Through the lens of more equitable land use, split-rate taxes tend to be viewed as a fairer system. Land ownership is often concentrated amongst high-income individuals, and therefore, a higher tax on land values can be interpreted as more progressive than a unified-tax rate.<sup>17</sup> This is in contrast to other forms of revenue, such as sales taxes, which place a disproportionate burden on those with low incomes.<sup>18</sup> In short, the effectiveness of a split-rate tax lies in the fact that it would promote economic development and more equitable land use, while not risking a decrease in the potential tax revenue collected from the current property tax system.

All of this promises to have a particularly strong impact on South Bend. The city has a significant number of vacant properties (3714 parcels), including many that exist near the city's downtown. In Harrisburg, PA, a city which had also struggled with vacancies and a lack of investment, development of these types of properties increased after the implementation of a

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<sup>15</sup> Hartzok, A. (1997). *Pennsylvania's Success with Local Property Tax Reform: The Split Rate Tax*. The American Journal of Economics and Sociology 56, p205–13. <http://www.jstor.org/stable/3487258>.

<sup>16</sup> Bowman, J., and Bell, M. (2004). *Split-Rate Real Property Taxation: Property Tax Redistribution Across Land Uses in Three Virginia Localities*. Annual Conference on Taxation and Minutes of the Annual Meeting of the National Tax Association 97. <http://www.jstor.org/stable/41954826>

<sup>17</sup> Bowman, J., and Bell, M. (2004). *Implications of a Split-Rate Real Property Tax: An Initial Look at Three Virginia Local Government Areas*. Lincoln Institute of Land Policy - Working Paper. [https://www.lincolnst.edu/app/uploads/2024/04/905\\_BowmanBell\\_PDF.pdf](https://www.lincolnst.edu/app/uploads/2024/04/905_BowmanBell_PDF.pdf)

<sup>18</sup> Ibid.

split-rate tax, which then-Mayor Stephen Reed attributed to this change in taxation.<sup>19</sup>

**Stimulating development in these underutilized areas could have significant impacts on encouraging the development of residential properties as well as new businesses.** For these reasons, **economic theory suggests that the implementation of a split-rate property taxation system would have a positive impact on stimulating economic activity in the city of South Bend.**

## **Split-Rate in Practice**

The following cities serve as points of comparison for South Bend, as each has previously attempted to implement a split-rate tax system:

### ***Pittsburgh, PA***

The state of Pennsylvania is unique in that it is the only example which has allowed local taxing authorities to make use of split-rate taxation for over a century. Local taxing authorities have not largely taken advantage of this; only 20 municipalities have tried the practice, with many reverting back to the traditional form of property taxation more recently.

Pittsburgh had used split-rate taxation from 1913 up until 2001, when it was repealed in favor of a traditional, single-rate system. The city went through a shift in the 1970s and 80s, transitioning from a heavily manufacturing-based economy to that of a service-based one. This was coupled with a heavy loss of population within the city during this same period.<sup>20</sup> In 1980, the city raised its land-to-structure tax-rate from 2-to-1 to 5-to-1. **The city then went on to see a 70% increase in the value of its building permits over the next decades**, even while peer cities saw large decreases in their values.<sup>21</sup> This increase was caused by the increase in construction activity, especially in the non-residential sector.<sup>22</sup> However, this increase cannot be solely attributed to split-rate taxation, as numerous other factors, such as tax abatements on new construction and other building incentives, were also in place. However, economists Wallace Oates and Robert Schwab agree that the increase in the ratio of the split-rate tax played a role in this increase in

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<sup>19</sup> Hartzok, A. (1997). *Pennsylvania's Success with Local Property Tax Reform: The Split Rate Tax*. The American Journal of Economics and Sociology 56, p217. <http://www.jstor.org/stable/3487258>.

<sup>20</sup> Oates, W. & Schwab, R. (1997). *The Impact of Urban Land Taxation: The Pittsburgh Experience*. National Tax Journal 50. <http://www.jstor.org/stable/41789240>

<sup>21</sup> Ibid., p. 9

<sup>22</sup> Ibid., p. 10.

building activity.<sup>23</sup> Seven cities, with Pittsburgh being the largest among them, have reverted to traditional forms of single-rate taxation since the early 2000s.<sup>24</sup> The cause is seemingly related to **issues around assessments, as all of the cities switched back around the time that they needed to reassess property values, perhaps indicating an issue around securing transparent and accurate property assessments**, which are critical for split-rate taxation to work.<sup>25</sup> Indeed, this seems to be what was the downfall of Pittsburgh's use of the split-rate system, which was discontinued after a contentious time of reassessment that was long overdue and poorly managed.<sup>26</sup>

### ***Harrisburg, PA***

The capital of Pennsylvania has also implemented a split-rate system, which continues to be in place to this day. It too suffered from urban decay and population flows from the city during the 70s and 80s. **The current land-to-improvement ratio is 6-to-1, with land being taxed roughly \$3.10 for every \$100 of value.**<sup>27</sup> In the first ten years after the implementation and subsequent ramping-up of split-rate taxation within the city, Harrisburg saw a significant reduction in the number of vacant structures (going from over 4200 to less than 500).<sup>28</sup> Upon implementation, investment also increased, which then-Mayor Stephen Reed attributed to the change in taxation structure.<sup>29</sup>

### ***Detroit, MI***

In 2023, Detroit Mayor Mike Duggan and State Representative Stephanie A. Young proposed implementing a new split-rate tax system that would enable Detroit to split the property tax into two separate rates one on land value and one on improvements to land.<sup>30</sup> This proposal is

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<sup>23</sup> Ibid., p. 17.

<sup>24</sup> Ibid., p. 19.

<sup>25</sup> Yang, Z. & Hawley, Z. B. (2022). *Effects of Split-Rate Taxation on Tax Base*. Public Finance Review, 50(6), 651-679. <https://doi.org/10.1177/10911421221129956> p. 1

<sup>26</sup> Briem, C. (2022). *Maybe it Is Rocket Science: Before Allegheny County Stopped Reassessing Property, it Almost Became a Pioneer*.

[https://www.publicsource.org/allegheny-county-property-tax-assessments-unbalanced-history-chris-briem/#:~:text=It%20subcontracted%20the%20actual%20modeling,recorded%20as%20\\$10%2C000%20or%20less](https://www.publicsource.org/allegheny-county-property-tax-assessments-unbalanced-history-chris-briem/#:~:text=It%20subcontracted%20the%20actual%20modeling,recorded%20as%20$10%2C000%20or%20less).

<sup>27</sup> *Chapter 5-501: Property Tax*. (2023). City of Harrisburg, Code of Ordinances. <https://ecode360.com/13741160>

<sup>28</sup> Hartzok, A. (1997). *Pennsylvania's Success with Local Property Tax Reform: The Split Rate Tax*. The American Journal of Economics and Sociology 56, p217. <http://www.jstor.org/stable/3487258>.

<sup>29</sup> Ibid., p. 210

<sup>30</sup> *Detroit's Split-Rate Tax Proposal – Concerns with Unintended Effects*. (2023). Citizens Research Council of Michigan. <https://crcmich.org/detroits-split-rate-tax-proposal-concerns-with-unintended-effects>

currently under review by the state. If passed, it would prevent land speculation, which would make vacant land more productive and provide property tax relief to residents and businesses, allowing 97% of homeowners to benefit from an average 17% permanent property tax cut.<sup>31</sup>

South Bend shares many of the qualities that make Detroit a good candidate for a split-rate tax system. This includes the deindustrialization of the area that has historically led to massive population loss.<sup>32</sup> Additionally, both South Bend and Detroit remain democratic strongholds within largely rural midwestern states.<sup>33</sup> Similarly, Michigan has a variety of influential lobbying organizations such as the Apartment Association of Michigan, which holds similar sway in the general assembly to the Indiana Apartment Association.<sup>34</sup> However, it is important to note that little progress has been made in approving the split-rate tax system at the state level in Michigan due to a lack of knowledge on the effects of a split-rate tax system. Democratic Representative Kimberly Edwards voiced this sentiment stating, “I do not feel comfortable committing residents to vote for an unproven tax policy.”<sup>35</sup> Similar opposition is likely at the state level if a similar piece of legislation was proposed in Indiana.

### ***Spokane, WA***

In December 2024, the Spokane city council proposed a land value tax “to spur development around town” and incentivize development of vacant and underdeveloped properties.<sup>36</sup> Citing an increased rate of new constructions in Pittsburg due to a Land Value Tax (LVT) system, Spokane city officials see the potential of a similar system in their underdeveloped and vacant downtown.<sup>37</sup> The city has also studied the gradual implementation of the full LVT in Altoona,

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<sup>31</sup> *Proposition to let Detroiters vote on Land Value Tax Plan to Cut Homeowners' Property Taxes by an Average of 17%*. (2023). Land Value Tax Plan, City of Detroit.

<https://detroitmi.gov/news/proposition-let-detroiters-vote-land-value-tax-plan-cut-homeowners-property-taxes-average-17>

<sup>32</sup> Davis, S. (2021). *When the Company Leaves the Company Town*. Strong Towns.

<https://www.strongtowns.org/journal/2021/8/19/when-the-company-leaves-the-company-town#:~:text=Unfortunately%2C%20the%20automobile%20factory%20closed%20its%20doors,many%20rust%20belt%20cities%20are%20familiar%20with>

<sup>33</sup> *South Bend, IN Politics & Voting*. (n.d.). Best Places. [https://www.bestplaces.net/voting/city/indiana/south\\_bend](https://www.bestplaces.net/voting/city/indiana/south_bend)

<sup>34</sup> *AAM Membership & The Importance of PAC Contribution*. (n.d.). Apartment Association of Michigan, Political Action Committee. <https://www.apartments.org/political-action-committee/>

<sup>35</sup> Barrett, M. (2023). *Setback for Land Value Tax Reflects Distrust. Confusion with Detroit Plan*. Bridge Detroit.

<https://www.bridgedetroit.com/setback-for-land-value-tax-reflects-distrust-confusion-with-detroit-plan/>

<sup>36</sup> Clouser, T. (2024). *Spokane Eyes New Tax Model to Drive Down Rates While Incentivizing Construction*. The Center Square: Washington. [https://www.thecentersquare.com/washington/article\\_685f5710-a8ff-11ef-af51-cb9d9b15b89e.html](https://www.thecentersquare.com/washington/article_685f5710-a8ff-11ef-af51-cb9d9b15b89e.html)

<sup>37</sup> Gill, A. (2025). *It's Too Easy for Spokane Land Speculators to sit on their Property With Redeveloping It; land value taxation could break the logjam*. INLANDERS.

<https://www.inlander.com/news/its-too-easy-for-spokane-land-speculators-to-sit-on-their-property-without-redeveloping-it-land-value-taxation-could-break-the-logjam-29157572>

PA, and has looked at various models from elsewhere in Pennsylvania where a LVT has been paired with a standard property tax for a split-rate taxation system.<sup>38</sup>

This new system in Spokane would be “comparable” to user fees; in this case, Spokane provides land value through infrastructure and other services. Residents and businesses pay reciprocal taxes “for cheaper rates that incentivize construction.”<sup>39</sup>

The Center for the Study of Economics estimates that approval for the new LVT system could take up to five years following authorization from the State Legislature, which currently mandates that all properties are taxed at a “uniform and equal rate,”<sup>40</sup> and limits annual property tax increases by 1%, similar to the law in Indiana. This legislation has proved difficult to work around. Solutions for this issue and similar issues have been raised for years, but no changes have been successful due to the “state’s broken tax code.”<sup>41</sup>

If approved by new state legislation, Spokane hopes to create a “special taxing district” for a “certain area of the city so officials can test the tax model out and see if it makes a difference.”<sup>42</sup>

<sup>43</sup> Spokane city assessor Tom Konis says that the new system will not reduce tax revenue, but it will improve property values in neighborhoods and “spur more growth” by not penalizing investments and property improvements.<sup>44</sup>

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<sup>38</sup> Clouser, T. (2024). *Spokane Eyes New Tax Model to Drive Down Rates While Incentivizing Construction*. The Center Square: Washington. [https://www.thecentersquare.com/washington/article\\_685f5710-a8ff-11ef-af51-cb9d9b15b89e.html](https://www.thecentersquare.com/washington/article_685f5710-a8ff-11ef-af51-cb9d9b15b89e.html)

<sup>39</sup> Ibid.

<sup>40</sup> Ibid.

<sup>41</sup> Gill, A. (2025). *It's Too Easy for Spokane Land Speculators to sit on their Property With Redeveloping It; land value taxation could break the logjam*. INLANDERS.

<https://www.inlander.com/news/its-too-easy-for-spokane-land-speculators-to-sit-on-their-property-without-redeveloping-it-land-value-taxation-could-break-the-logjam-29157572>

<sup>42</sup> *City of Spokane Exploring Land Value Tax Model*. (2024). 4 News Now, Dec 4, 2024.

<https://www.youtube.com/watch?v=Xr603y2IaWs>

<sup>43</sup> Rillo, M. (2024). *Spokane City Council Explores Land Value Tax Model to Promote Community Growth*. KXLY.

[https://www.kxly.com/news/spokane-city-council-explores-land-value-tax-model-to-promote-community-growth/article\\_07b46ba6-b42d-11ef-a914-23f84fca6f7f.html](https://www.kxly.com/news/spokane-city-council-explores-land-value-tax-model-to-promote-community-growth/article_07b46ba6-b42d-11ef-a914-23f84fca6f7f.html)

<sup>44</sup> Ibid.

## South Bend, Indiana

### South Bend Demographics & Market Analysis

The United States Census Bureau provides demographic data on the taxpayer, homeowner, and general population makeup of the city of South Bend, IN. The racial makeup of South Bend is: 54.1% White, 24.4% Black, 1.7% Asian, 0.5% American Indian and Alaska Native, and 13.3% two or more races.<sup>45</sup> The age demographics of South Bend are important for an analysis of home ownership evaluations and tax burden concerns. Property tax levels, particularly when they change, have a disproportionate impact on an aging population that often does not have a steady income. The city has 26.0% of its population under 18 years old and 14.2% persons over 65. The United States Census Bureau also provides valuable information on the makeup of housing, median-value estimates of housing units, and general home ownership. Between 2019 and 2023, the owner-occupied housing rate was 58.8%, and the median value of owner-occupied housing units was \$124,500.<sup>46</sup> As of February 2025, the average rent in South Bend is \$1,272.<sup>47</sup>

Renter-occupied households make up 41% of all occupied housing units in South Bend. There is also a discrepancy between intra-South Bend municipalities. For example, average rent in the Edison neighborhood is 16% higher than the Council Oak neighborhood. Likewise, the Howard Park - East Bank average rent is \$1,701 while the average rent in the Navarre neighborhood is \$1,237.<sup>48</sup>

Furthermore, the Census provides data about income and poverty in South Bend. Between 2019 and 2023, (in 2023 dollars) the median household income was \$52,512, the per capita income of South Bend residents in the past 12 months was \$29,511, and the poverty rate was 22.6%.<sup>49</sup>

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<sup>45</sup> *South Bend, Indiana: Quick Facts*. (n.d.). United States Census Bureau.  
<https://www.census.gov/quickfacts/fact/table/southbendcityindiana/RHI125223>

<sup>46</sup> Ibid.

<sup>47</sup> *South Bend, IN Rental Market Trends*. (n.d.). RentCafe  
<https://www.rentcafe.com/average-rent-market-trends/us/in/south-bend/?utm>

<sup>48</sup> Ibid.

<sup>49</sup> *South Bend, Indiana: Quick Facts*. (n.d.). United States Census Bureau.  
<https://www.census.gov/quickfacts/fact/table/southbendcityindiana/RHI125223>

**South Bend, Indiana Descriptive Statistics Table**

Land Use	Total Parcels	Total Acres	Mean Land Value	Mean Improvement Value
Vacant	3676	933.48	\$5969.61	\$0
Single-Family	32894	6348.31	\$17644.15	\$143122.41
Multi-Family	969	591.42	\$20892.47	\$429510.73
Commercial	871	750.03	\$56958.67	\$201058.21
Parking Lots	316	84.56	\$19799.68	\$47044.62
Office	434	355.11	\$60132.72	\$539813.59
Industrial	549	2664.93	\$73640.80	\$730652.82

Table 1: *Descriptive statistics about South Bend, IN.*

Table 1 shows that the single-family homes dominate the South Bend market both in terms of total parcel count and total acreage, and with the addition of multi-family, highlights a strong residential presence. However, in terms of land and improvement value, these residential properties show lower land value with significant investment focused on multi-family parcels. **Vacant parcels are numerous – outnumbering commercial, parking, office, and industrial parcels combined – indicating underutilized and developable land.**

## Why is South Bend the City for Split-Rate?

### *South Bend as a Rebounding City*

In a 2011 Newsweek report on “America’s Dying Cities,” South Bend was listed second. **By 2024, it was listed as the 25th best place to live in the United States and 18th in terms of affordability.**<sup>50 51</sup> The report suggested that South Bend once was a “hub of manufacturing, largely due to the presence of the Studebaker car company,” but the closure of the manufacturing plant in the early 1960s resulted in a “long and steep [economic] downturn” that continues to affect the area.<sup>52</sup> The Studebaker company’s closing of operations eliminated approximately 7,000 local jobs, which former Mayor Pete Buttigieg described as resulting in the “economic equivalent of a tornado.”<sup>53</sup>

<sup>50</sup> *150 Best Places to Live in the US in 2024-2025.* (2025). U.S. News & World Report.

<https://realestate.usnews.com/places/rankings/best-places-to-live>

<sup>51</sup> *Mayor James Mueller State of the City 2025 Remarks.* (2025). City of South Bend, IN. <https://southbendin.gov/sotc2025/>

<sup>52</sup> *America’s Dying Cities.* (2011). Newsweek. <https://www.newsweek.com/americas-dying-cities-66873>

<sup>53</sup> *South Bend: Reinventing a “Dying City.”* (n.d.). New America.

<https://www.newamerica.org/work-workers-technology/reports/automation-nation/south-bend-reinventing-a-dying-city/>

In the first decade of the 21st century, the City of South Bend saw a decrease in its population by 3.9%. Largely due to successful manufacturing efforts in the area, South Bend reached its highest population in the 1960s. In the 2020 census, South Bend’s population was only 103,453 – a 21.9% decrease since 1960. **However, this is a 2.3% increase from the 2010 census. South Bend’s population appears to have been back on the rise in the past 10 years, increasing from 101,168 to 103,453 people.**<sup>54</sup>

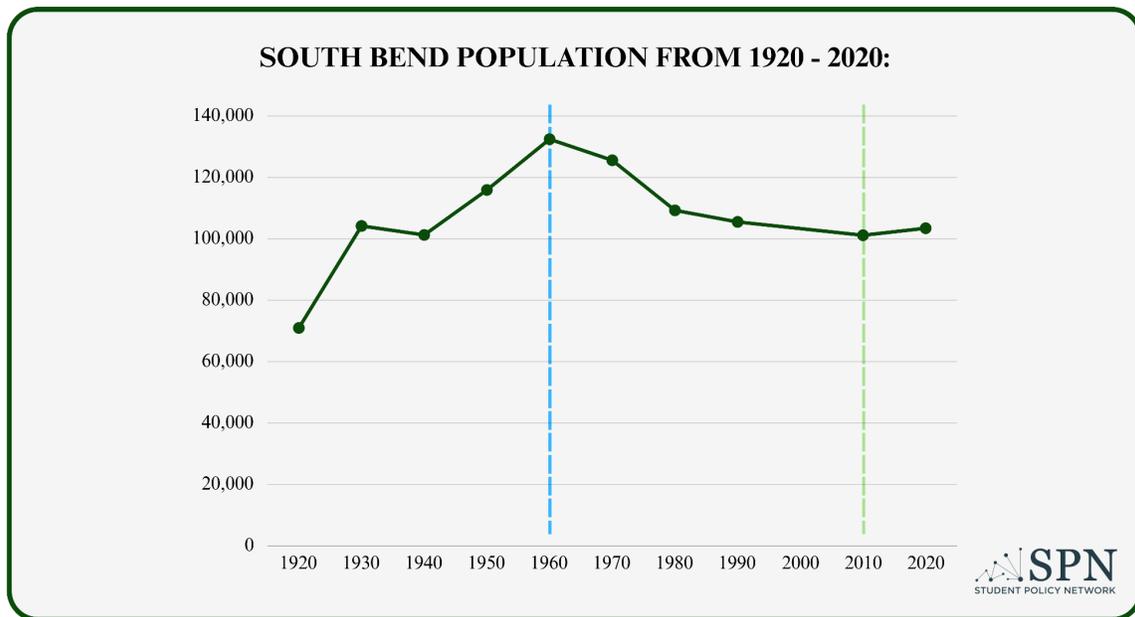


Fig. 6: *South Bend population time series with closure of Studebaker noted by the blue line in 1960, and the 2.3% population increase between 2010-2020, noted by the green line in 2010.*

The city’s recent population growth has been the result of increased infill in the core of the city which has been increasing the density of South Bend, as the city has not annexed any new land. Instead, all of the growth and infill has occurred within the same geographical South Bend city limits. For a city that has struggled with a steady population decline and a decrease in economic activity since the 1960s, economic recovery appears to be underway.<sup>55</sup>

The City of South Bend has remained committed to continuing redevelopment efforts. The City’s Community Investment Department’s Growth and Opportunity Division states that “in the

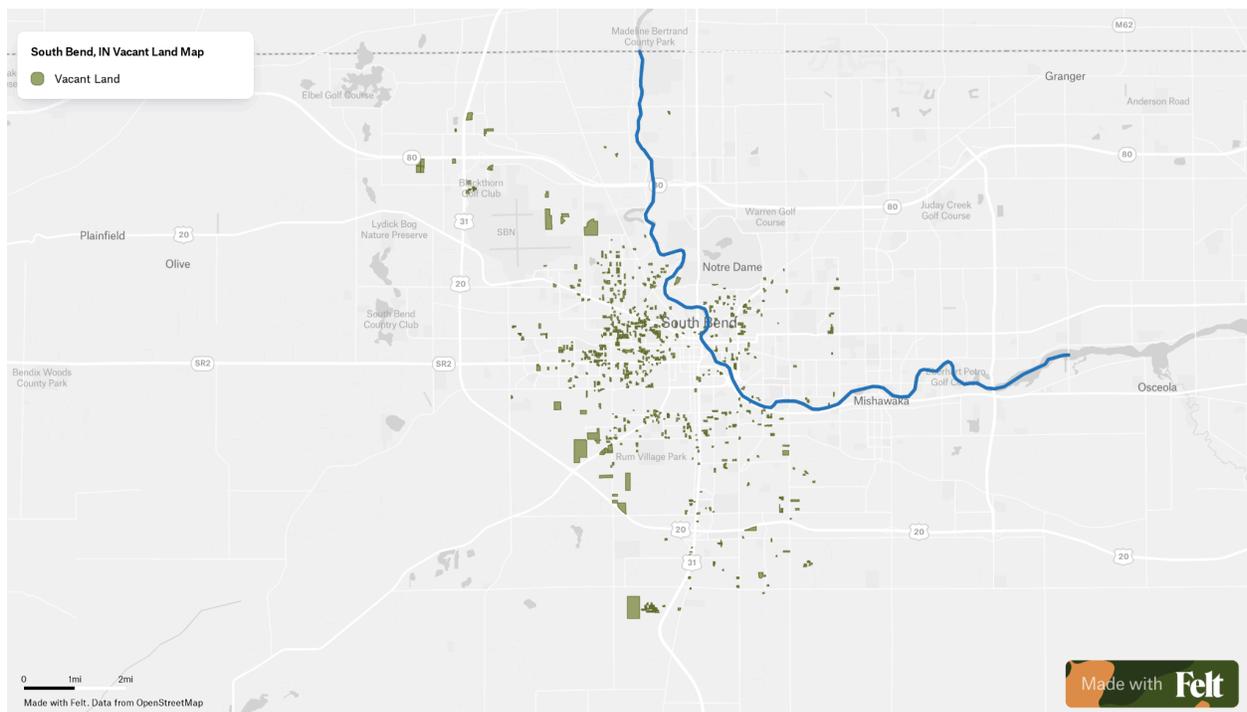
<sup>54</sup> *Indiana City/Town Census Counts, 1900 to 2020.* Stats Indiana: Indiana’s Public Utility. [https://www.stats.indiana.edu/population/poptotals/historic\\_counts\\_cities.asp](https://www.stats.indiana.edu/population/poptotals/historic_counts_cities.asp)

<sup>55</sup> Molnar, J. (2021). *More People: A Trend Breaking Decade for South Bend.* WEST.SB. <https://westsb.com/features/more-people-8> .

interest of helping improve South Bend’s economic vitality,” a wide range of programs are in place that encourage further economic development. Between the Opportunity Fund and the emphasis on job creation, South Bend’s commitment to economic development is evident. The City’s commitment to this encouraged development involves the issuing of loans and providing of other city services.<sup>56</sup>

### ***Vacant Land & High Land Values***

The City of South Bend has a property vacancy rate of 8.04%. As evident in Map 1 below, it appears that a large concentration of this vacant land is concentrated in the metro area’s center, but is not limited to it.

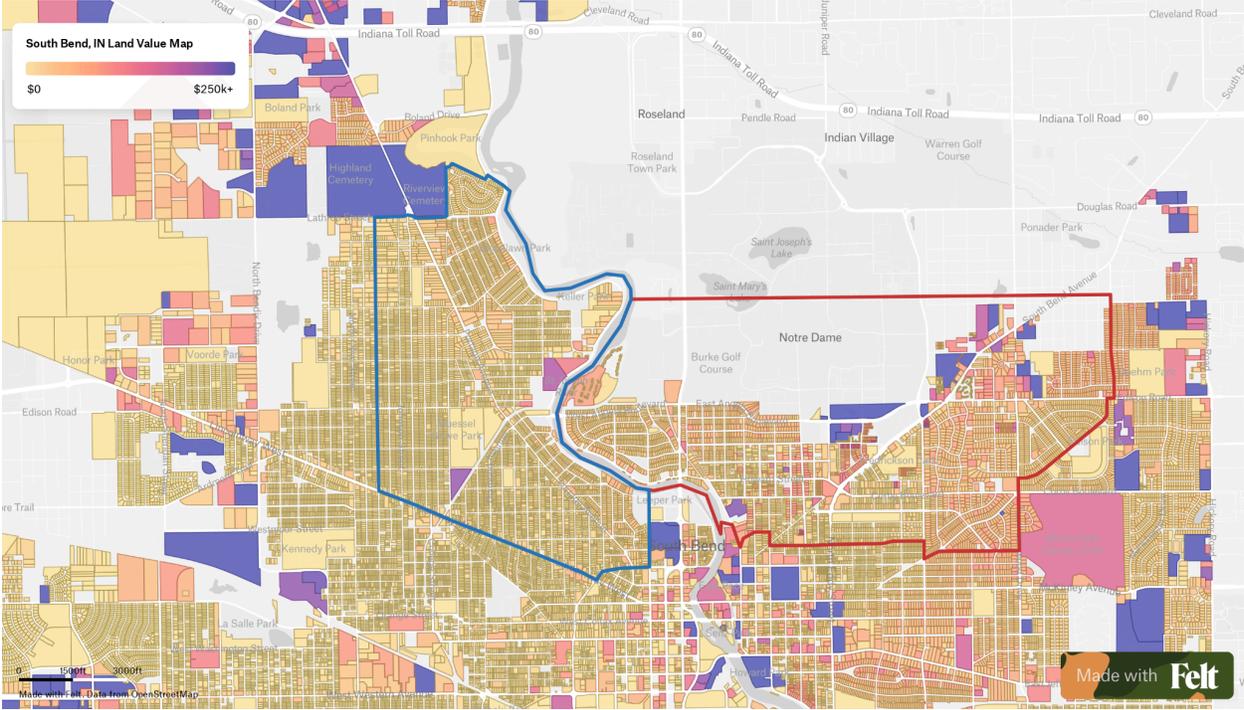


Map 1: *Vacant Land in South Bend, IN. Highlighted in blue is St. Joseph’s River.*

Neighborhoods in the outer areas of the city have more scattered vacancies, though **the majority of all vacant land is located to the south and to the west of the St. Joseph River.** The highest concentration of vacant properties lies in the “Northwest South Bend Neighborhood.” Located to the north and east of the River lies the University of Notre Dame.

<sup>56</sup> Molnar, J. (2021). *More People: A Trend Breaking Decade for South Bend.* WEST.SB. <https://westsb.com/features/more-people-8> .

Property values north and east of the St. Joseph River, in the immediate radius of the University of Notre Dame, are significantly higher than the property values where vacant land seems to be a larger issue east and south of the River. The St. Joseph River appears to not only serve as a physical divide between the two halves of the city, but a barrier between two different socioeconomic states of the city.



Map 2: Land value in South Bend, IN. University of Notre Dame and surrounding area in red box, while a comparison area across the St. Joseph River and further from campus is in the blue box.

**Location Comparison Descriptive Statistics**

	Near Campus (Red)	Further from Campus (Blue)
Total Parcels	3863	4742
Mean Land Value	\$31,274.48	\$9,926.48
Mean Land Value/1000 SqFt	\$5,311.15	\$1,594.35
In-State Ownership	74.40%	87.60%
Vacancy Rate	5.57%	10.06%

Table 2: Comparison of descriptive statistics of areas between near-campus (red) and areas across the St. Joseph River (blue), as shown in the map.

The table above shows a comparison of descriptive statistics between two areas of South Bend delineated in Map 2. The main objective is to compare parts of South Bend near the Notre Dame

campus (red), which has seen substantial growth and economic rebound over the past few years, with another similar region of the city that contains some of the highest land values per square footage in the city. The comparison region (blue) is located across the St. Joseph River from Notre Dame's campus and has a similar composition as a densely populated, primarily residential area, but has yet to see the same growth as the area closest to campus. The area further from campus has nearly double the vacancy rates as the area near campus. The area further from Notre Dame should expect to see their land values increase in the future as the perimeter of development continues to expand around Notre Dame.

South Bend has the potential to have two major effects: bridge the divide that the St. Joseph River has caused, allowing the rest of the city to match the conditions in the neighborhoods surrounding the University of Notre Dame, and increase the tax revenue that the city is bringing in. First, the land owners of vacant properties in the neighborhoods west of the St. Joseph River will be encouraged to build, decreasing vacancy rates and increasing housing for the city. Second, property owners east of the river, especially those near the University of Notre Dame where land values are highest, would contribute more in taxes, reflecting the greater value of their locations.

# Data Analysis

## Methodology

To understand the impact of land value taxes in South Bend, this paper models a shift from a traditional property tax to a higher tax rate on land holding revenues neutral. Property taxes in South Bend are calculated starting from the property's full valuation, but follow a series of steps to arrive at the final property tax bill. Every property is assessed at market value by the county assessor. Afterwards, a series of exemptions are applied to each property.<sup>57</sup> Some properties, such as religious and educational buildings, are fully exempt from property taxes, so their exemptions are the total value of the property. Roughly 52% of parcels have at least one partial exemption, such as standard homestead deduction or veteran deductions, which effectively reduce the taxable property value by the amount of the exemption. After exemptions are subtracted from the property's total assessed valuation, millage rates are applied to the taxable value of the property. With South Bend's current property tax rate set at around 2.37, property owners pay \$2.37 annually in taxes for every \$100 in property value.<sup>58</sup>

After millage rates are applied, Indiana circuit breakers are calculated, which refund property owners any taxes paid over a set rate of their total value.<sup>59</sup> No property can be taxed at more than 3% of its gross assessed value across the sum of all property taxes from taxing units on their property. Homestead properties – defined as residences where the owner lives the majority of the year – cannot pay more than 1%, and other residential property and agricultural property cannot be taxed at more than 2% of its total valuation. The only instance in which circuit breakers do not apply is property taxes passed via referendum; for instance, the South Bend School Corporation has a 0.33% property tax levied independent of the limits set by circuit breakers. Currently, 92% of parcels in South Bend hit the limit established by circuit breakers. For these properties, a tax increase will have no effect, as they already are refunded any taxes paid for over the circuit breaker limit; similarly, these properties are unlikely to be affected by a tax relief, unless the decrease is substantial enough to reduce their taxes below the cap set by circuit

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<sup>57</sup> *Citizen's Guide to Property Tax*. (n.d.). Department of Local Government Finance, Indiana State Government. <https://www.in.gov/dlgf/understanding-your-tax-bill/citizens-guide-to-property-tax/>

<sup>58</sup> *2025 Tax Rates Per Taxing District*. (2025). State of Indiana Department of Local Government Finance. <https://www.sjcindiana.gov/DocumentCenter/View/65579/2024-2025-Tax-Rates?bidId=>

<sup>59</sup> *Property Tax Caps & Circuit Breaker Credits Fact Sheet*. (2024). Indiana Department of Local Government Finance. <https://gov.pulaskionline.org/wp-content/uploads/sites/4/2024/05/2024-DLGF-240429-Fact-Sheet-Circuit-Breaker-Caps.pdf>

breakers. Thus, any revenue-neutral shift in tax structure is unlikely to actually shift the amount of taxes paid for most parcels.

For these reasons, to model a split-rate tax, this analysis tests an assumption of a 0.5 millage rate passed via a referendum with no circuit breakers. This aligns closely with a shift in the South Bend Community School Corporations 0.33 tax rate.<sup>60</sup> The analysis models a revenue-neutral shift to a tax system with land being taxed at a rate four times higher than improvements. A 4:1 ratio is a semi-conservative proposition relative to the examples of split-rate taxation systems in other cities. In general, the analysis presented here shows the directional impacts of a land value tax. While the specific millage rate or the ratio between land and improvements could be adjusted upward or downward, the relative effects—such as which properties see higher or lower tax burdens—would remain consistent.

The analysis still uses the typical exemptions that would still apply under a referendum by subtracting their amounts from the value of improvements to generate a taxable improvement value for all properties. If the value of exemptions exceeds the value of the parcel's improvements, the remaining exemptions are subtracted from the land value. This analysis chose to remove exemptions from improvement value before land value due to improvements holding the vast majority of most property's total value.

After calculations, the new taxable improvement value was taxed at a rate of 0.194, while the taxable land value was taxed at a rate of four times the improvement rate at 0.774. These rates were chosen to maintain the total property tax revenue at \$16.7 million, which is the amount raised by a 0.5 property tax rate, without circuit breakers, with the assumption that current exemptions would be unchanged.

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<sup>60</sup> Kirkman, A. (2020). *Voters Pass \$220 million referendum for South Bend Schools*. South Bend Tribune, <https://www.southbendtribune.com/story/news/education/2020/06/03/oters-pass-220-million-referendum-for-south-bend-schools/43962199/>

## Impact by Property Category

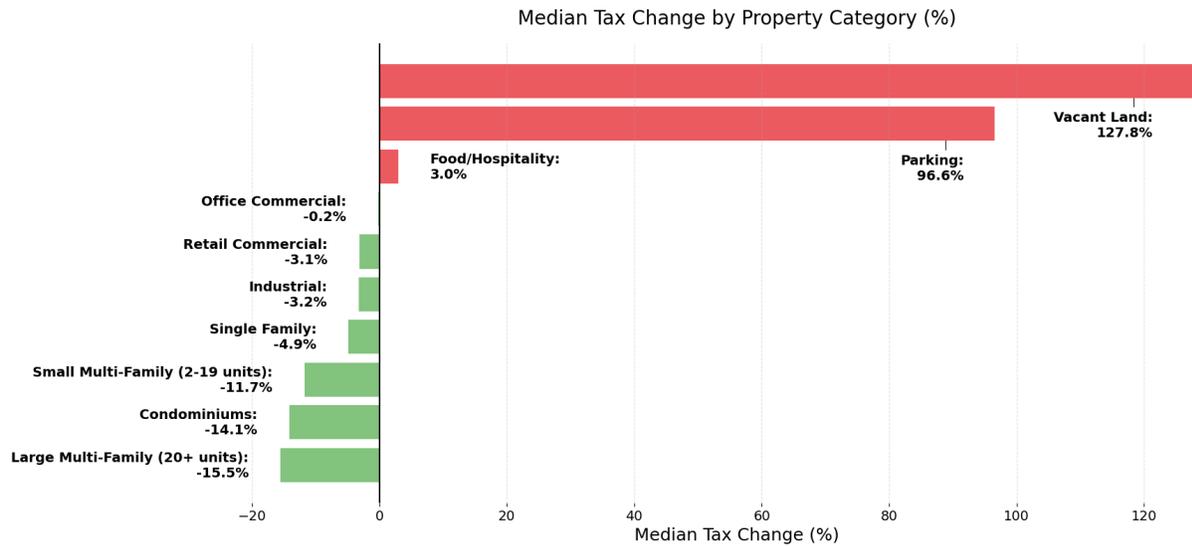


Fig. 7: Median tax percent change by property category.

This chart illustrates the median tax change by property category under a proposed land value tax system in South Bend. The most significant increases in tax burden fall on vacant land and parking lots, with median tax changes of 127.8% and 96.6% respectively. This dramatic rise reflects the core principle of a land value tax: to discourage land speculation and underutilization by making it more costly to hold valuable land without developing it. Food and hospitality properties see a modest increase of 3.0%, while office commercial properties experience almost no change at -0.2%.

On the other hand, most developed property categories would see a reduction in their median tax burden. Large multi-family properties (20+ units) benefit the most, with a 15.5% decrease, followed by condominiums at 14.1% and small multi-family buildings at 11.7%. Single-family homes, industrial, and retail commercial properties also see moderate reductions. These decreases align with the goal of incentivizing development and productive use of land, as property owners who invest in improvements and higher-density housing are rewarded with lower taxes. Overall, the chart demonstrates how a land value tax can shift the tax burden away from productive development and onto underutilized land, encouraging investment and more efficient land use across the city.

## Impact on Race

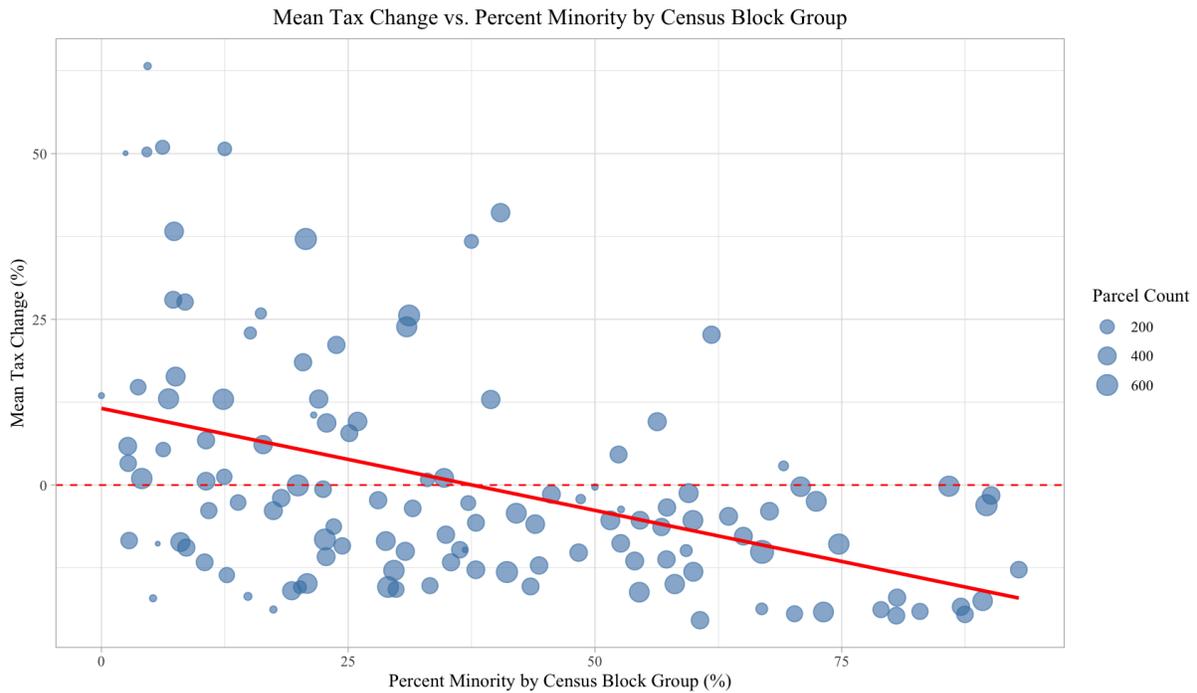


Fig. 8: Scatter plots of mean tax change vs. percent minority by Census Block Group.

Figure 8 illustrates the impact of the 4:1 system on communities with greater minority populations. Our analysis shows a negative relationship between the percentage of minority residents within a Census Block Group and the mean tax change experienced by that group. The regression explains about 20% of the variation present in tax change ( $R^2 = 0.1976$ ).

In areas with no minority residents, the predicted mean tax increase is 11.56%, while areas with higher minority populations see decreases in tax burden. On average, for every 1 percentage point increase in minority population, mean tax change decreases by 0.308 percentage points.

**This pattern suggests that the 4:1 tax system is equitable – communities with higher minority populations may experience smaller increases or even decreases in tax burden under the 4:1 model.**

## Impact on Income

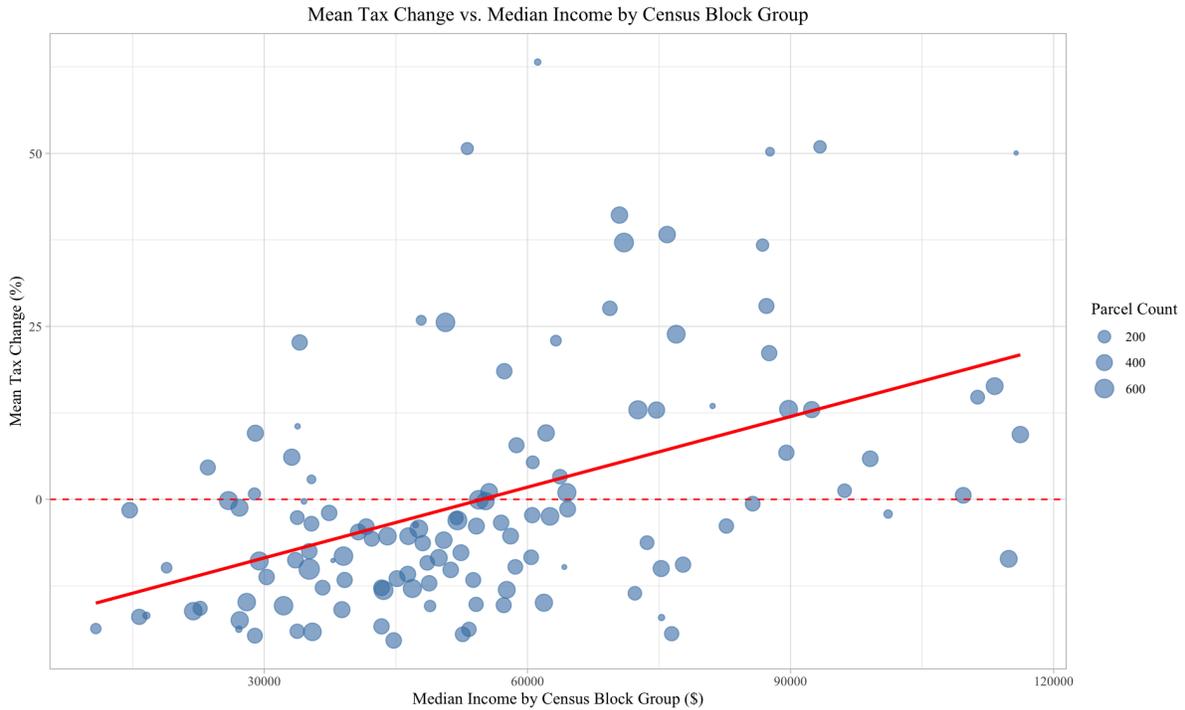
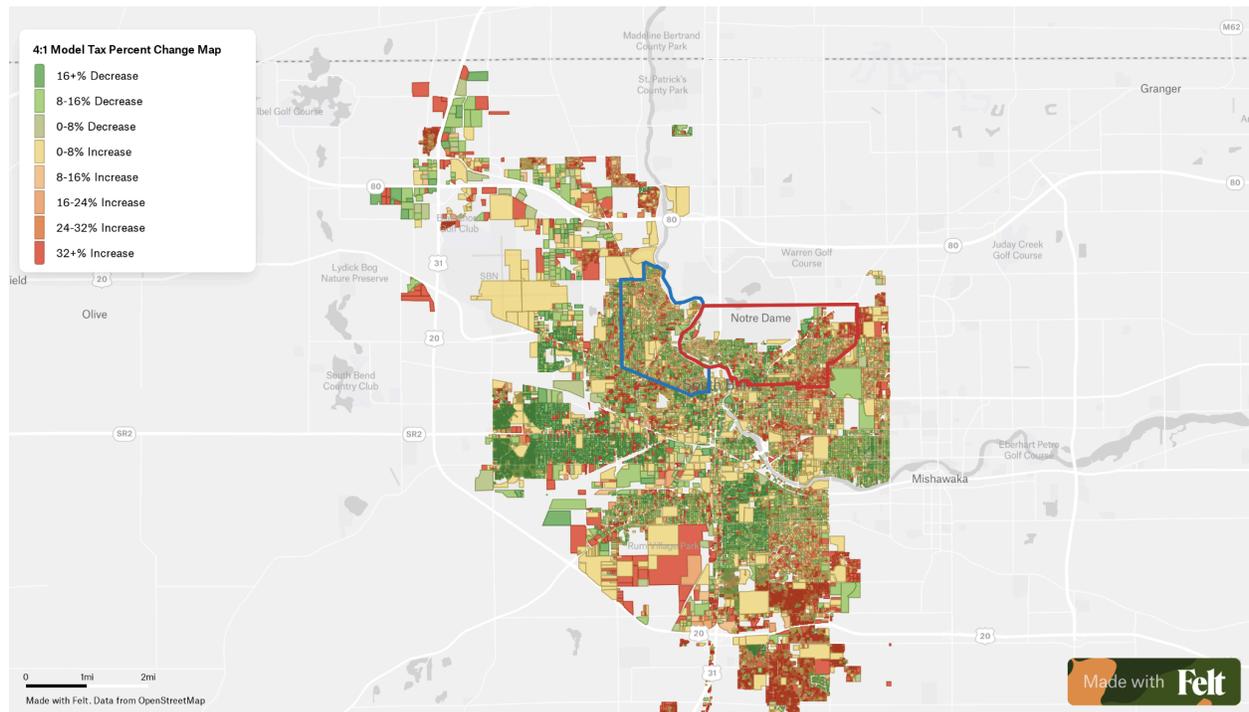


Fig. 9: Scatter plot of mean tax change vs. median income by Census Block Group.

Figure 9 illustrates the relationship between income and tax change under the 4:1 model. Our model shows a positive correlation between median income of residents within a Census Block Group and the mean tax change experienced by that group and explains about 22% of variation present in tax change ( $R^2 = 0.2176$ ).

For every \$1000 increase in median income, we on average predict a 0.3405 percentage point increase in mean tax burden. Additionally, most groups experiencing negative mean tax changes have median incomes below \$90,000. **This pattern suggests that the 4:1 tax system is progressive – lower income residents in South Bend, Indiana are the primary beneficiaries of a split-rate tax system relative to higher income earners.**

## Impact on Vacancy & Land Value



Map 3: *Our 4:1 split-rate tax model mapped onto South Bend, IN. University of Notre Dame and surrounding area in red box, while a comparison area across the St. Joseph River and further from campus is in the blue box.*

In the immediate surrounding area of Notre Dame's campus, there is a significant overall increase in mean tax percentage under a shift to a split-rate tax model. However, when only accounting for developed areas and excluding vacant land, the overall increase in taxes is less significant. As evidenced by Map 3, the area in South Bend further from Notre Dame sees a larger overall increase in mean tax percentage, but a smaller increase in mean tax change without including vacant land, comparatively. Thus, the less developed areas further from Notre Dame see higher overall taxes due to increased taxes on underdeveloped land, such as vacant land and parking lots, but the properties themselves in these areas are taxed less. Overall, **under the 4:1 split-rate tax model, taxes on vacant land increase by 110.92% and taxes on parking lots increase by 34.93%**. On the other hand, taxes on homes, commercial land, office buildings, and industrial land decrease moderately to counteract the other vast increases in taxes to keep overall tax revenue neutral.

**South Bend, Indiana Land Use Analysis Table (4:1 Model)**

Land Use	Vacant	Single-Family	Multi-Family	Commercial	Parking Lots	Office	Industrial
Parcels Paying More	95.93%	41.40%	14.65%	52.12%	92.41%	47.24%	42.26%
Current Tax/1000 SqFt	\$3.48	\$49.05	\$65.67	\$37.87	\$17.55	\$72.56	\$29.51
New Tax/1000 SqFt	\$7.34	\$47.84	\$56.76	\$37.24	\$23.68	\$66.27	\$27.35
Tax Change/1000 SqFt	\$3.86	-\$1.20	-\$8.91	-\$0.64	\$6.13	-\$6.29	-\$2.17
Tax Percent Change	110.92%	-2.47%	-13.57%	-1.66%	34.93%	-8.76%	-7.32%

Table 3: *Effects of the 4:1 split-rate model on various land use types in South Bend, IN.*

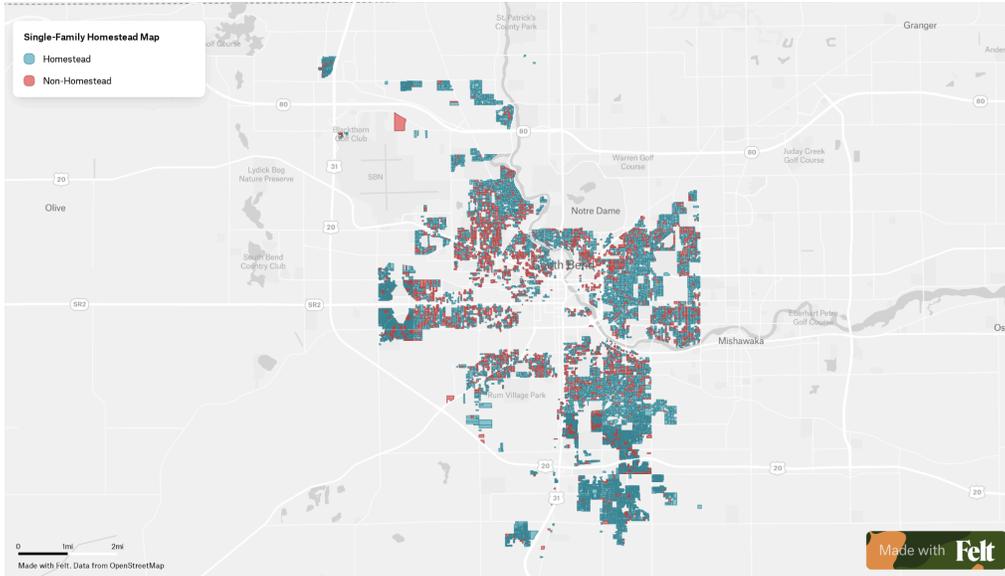
**Location Comparison Land Use Analysis**

	Near Campus (Red)	Further from Campus (Blue)
Mean Tax Percent Change	+13.38%	+14.11%
Mean Tax Change (Excluding Vacant Land)	+7.26%	+2.01%

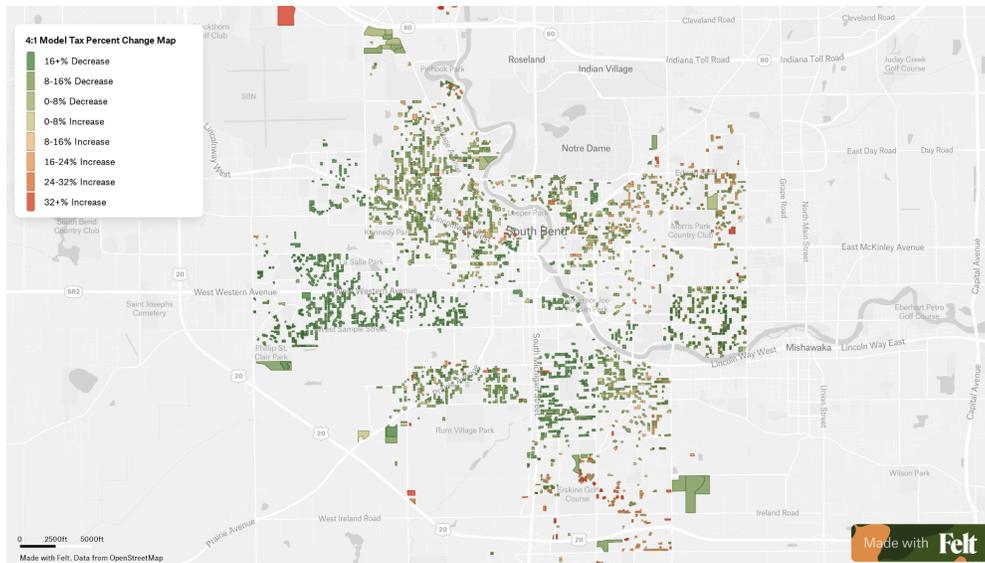
Table 4: *Comparison of expected tax percent change with and without vacancies under our model's split-rate tax system between near-campus (red) and areas across the St. Joseph River (blue), as shown in the map.*

# Homesteads & Non-Homesteads

## Homesteads



Map 4: Single-family homestead map in South Bend, IN.

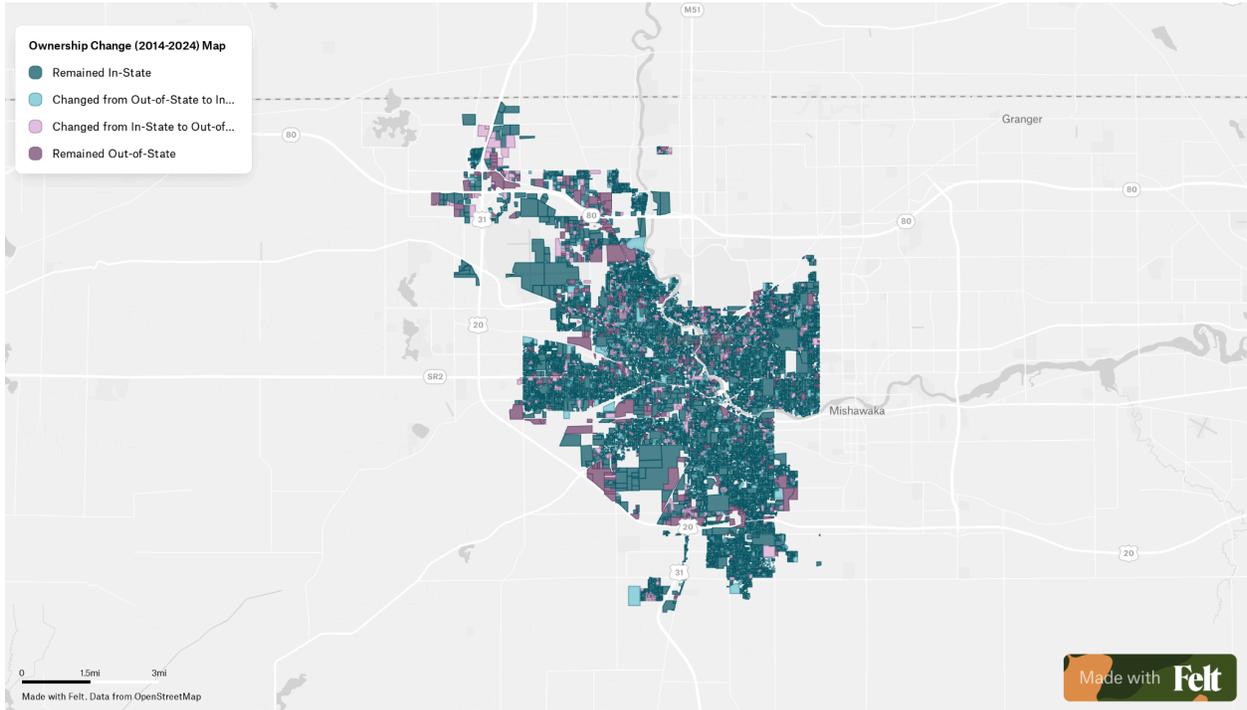


Map 5: Long term rentals map illustrating tax percent change under the 4:1 model in South Bend, IN.

Accounting for all single-family homes, across both homesteads and non-homesteads, 60% pay less property taxes under the 4:1 model. Homesteads (owner-occupied single family homes) in South Bend experience tax increases or decreases depending on location. Most homesteads on

the west/northwest side of South Bend would experience a decrease in taxes under the 4:1 system. However, homestead-dense neighborhoods on the east/northeast/southeast sides of the city would experience a significant increase in taxes under the 4:1 system if circuit breakers are not protected. These properties have higher land values and moderate property values, which contribute to a higher tax burden under the 4:1 system. Among single-family parcels classified as homesteads, 52.53% would experience a tax increase, while 47.47% would experience a tax decrease. 84.25% of non-homestead single-family parcels, most of which are rental-occupied units, experience tax decreases under the 4:1 system. As evident by Map 5, longer term rentals are a key beneficiary of the 4:1 split-rate model. Long term rentals are defined as residential properties that are not classified as short term rentals and non-homesteads.

# Out-of-State Ownership



Map 6: Ownership change between 2014 to 2024 in South Bend, IN.

## Single-Family Residential Descriptive Statistics Table

	In-State	Out of State	Homestead	Non-Homestead
Total Parcels	30307	2587	22934	9960
Total Acres	5956.36	391.95	1497.20	4851.11
Mean Land Value	\$17863.37	\$15075.92	\$10025.99	\$20952.63
Mean Improvement Value	\$142982.80	\$144758.40	\$97584.02	\$162899.27

Table 5: Descriptive statistics about single-family residential properties in South Bend, IN.

## Single-Family Residential Analysis Table (4:1 Model)

	In-State	Out of State	Homestead	Non-Homestead
Parcels Paying More	43.03%	22.27%	52.53%	15.75%
Current Tax/1000 SqFt	\$44.67	\$100.30	\$40.52	\$68.67
New Tax/1000 SqFt	\$44.22	\$90.33	\$42.18	\$60.90
Tax Change/1000 SqFt	-\$0.45	-\$9.97	\$1.65	-\$7.77
Tax Percent Change	-1.01%	-9.94%	4.10%	-\$11.31

Table 6: Effects of the 4:1 split-rate model on single-family residential properties in South Bend, IN.

Table 6 indicates that out-of-state ownership significantly benefits from the 4:1 model. Among single-family parcels owned by out-of-state individuals, only 22.27% would experience a tax increase, while 77.73% would experience a tax decrease. Out-of-state parcels under the 4:1 model experience an average tax decrease of 9.94%. This is likely explained by the lower mean land value and higher mean improvement value of out-of-state owned single-family parcels in comparison to those owned by in-state individuals. Importantly, these out-of-state owned properties are unlikely to qualify for homestead exemptions or 1% circuit breaker protections, yet they *still* would experience tax decreases. This is supported by Map 3, which indicates that areas of likely out-of-state ownership, particularly near Notre Dame and in the East Bank/downtown area, would experience tax reductions. However, single-family parcels owned by out-of-state individuals are in the minority, only making up 7.86% of the total single-family parcels. Overall, currently out-of-state owned single-family homes are among the primary beneficiaries of the 4:1 model.

# Implementation

## South Bend's Authority to Alter Its Tax Code

The Indiana Constitution, the Indiana Code, and the Indiana Department of Local Government Finance (DLGF) fundamentally constrain the authority of South Bend to adopt a split-rate property tax system.<sup>61</sup>

### *Constitutional Provisions*

Article 10, Section 1 of the Indiana State Constitution, mandates that, “The General Assembly shall provide, by law, for a uniform and equal rate of property assessment and taxation and shall prescribe regulations to secure a just valuation for taxation of all property, both real and personal.”<sup>62</sup>

The Indiana Supreme Court interprets this clause as establishing minimum requirements for how property may be assessed and taxed. In the landmark 1996 decision *Boehm v. Town of St. John*, the Court examined whether Indiana’s existing property tax system – which, at the time, did not rely solely on market value of property – violated the “uniform and equal requirement.”<sup>63</sup> The Court reversed a previous Indiana Tax Court holding that the Constitution required fair market value assessment, instead holding that, “A system based solely upon strict fair market value is not expressly required either by the text of the constitution, by the purpose and intent of its framers, or by the subsequent case law.”<sup>64</sup>

However, the Court also reaffirmed that the uniformity clause is judicially enforceable, meaning the legislature does not have unchecked authority, stating, “The foundational requirement of uniform and equal assessment and taxation is not diminished by the language delegating to the General Assembly the responsibility ‘to prescribe regulations to secure a just valuation.’”<sup>65</sup>

Therefore, the constitutional provisions mandating a “uniform and equal rate” of property assessment greatly constrain the Indiana General Assembly.

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<sup>61</sup> *Indiana Code Title 6: Taxation*. (2023). Indiana General Assembly. <https://iga.in.gov/laws/2023/ic/titles/6>.

<sup>62</sup> *Indiana Constitution*, art. 10, § 1(a). <https://iga.in.gov/laws/const/>

<sup>63</sup> *Boehm v. Town of St. John*, 675 N.E.2d 318. (1996). Indiana Case Law. <https://law.justia.com/cases/indiana/supreme-court/1996/49s10-9608-ta-544-4>

<sup>64</sup> *Ibid*, at 327.

<sup>65</sup> *Ibid*, at 324.

## ***Legislative Discretion and the Possibility of a Split-Rate System***

The Court’s decision in *Boehm v. Town of St. John* affirms that, while Indiana’s Constitution does not require a specific method of property assessment (such as fair market value), it grants the General Assembly discretion to choose among methods so long as the chosen system satisfies the constitutional standards of uniform and equal valuation. In support of this argument, the Court states, “legislative discretion to prescribe regulations securing just valuation is limited by the constitutional requirement for a uniform and equal rate of property assessment and taxation, compliance with which is subject to judicial review.”<sup>66</sup>

There is no constitutional provision that explicitly prohibits split-rate taxation. Instead, Indiana’s statutory framework, regulated by the Indiana Code – the central authority over assessment practices, classification of property, and tax policy design at the state level – prohibits the system. Under Title 6 of the Indiana Code, the General Assembly defines how real property must be assessed and taxed, and it does not distinguish between land and improvements in a manner that would permit differential taxation.<sup>67</sup> Specifically, Indiana Code § 6-1.1-2-1, which requires all tangible property to be assessed uniformly, and § 6-1.1-4-12, which mandates the assessment of land and improvements as a unit, does not allow for a split-rate tax system.<sup>68</sup> Thus, **South Bend cannot implement a split-rate system under current Indiana statute.**

## ***Local Taxation Prohibited Under Indiana’s Home Rule Act***

Although Indiana law grants local governments certain legislative powers under its Home Rule Act (Indiana Code § 36-1-3), it explicitly forbids municipalities to have that authority in taxation. Section 36-1-3-8 outlines powers that local units may not exercise unless expressly granted by state statute. Among these is, “(a) A unit [municipality] does not have the following: ... (6) The power to impose a tax, except as expressly granted by statute.”<sup>11</sup>

This restriction limits South Bend’s authority over property tax legislation. Since a split-rate taxation system imposes new rates of taxation, it qualifies as a modified system according to Indiana law. Any modification of taxation policy must be expressly authorized by statute, and

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<sup>66</sup> Ibid, at 328.

<sup>67</sup> *Indiana Code Title 6: Taxation*. (2023). Indiana General Assembly. <https://iga.in.gov/laws/2023/ic/titles/6>.

<sup>68</sup> Ind. Code §§ 6-1.1-2-1, 6-1.1-4-12 (2024).

current law does not provide this authorization, meaning South Bend does not have the authority to independently change its law.

Additionally, South Bend’s fiscal actions are subject to oversight from the Department of Local Government Finance (DLGF), which oversees local tax rates and budgets.<sup>69</sup> The DLGF ensures that local taxation complies with statewide property tax caps, assessment guidelines, and statutory requirements. Any attempt by South Bend to impose separate rates on land and improvements would fail to pass through this administrative review, as it would violate the aforementioned state uniformity requirements. Again, while the General Assembly has the discretion to alter assessment methods, including the potential to authorize split-rate systems, the current statutory framework supported by DLGF guidance mandates the combined assessment of land and improvements. Any departure from this would require explicit legislative change.<sup>70</sup> Ultimately, South Bend may not legally impose a split-rate property tax system unless the Indiana General Assembly enacts legislation that expressly grants that power.

### ***Policy Path Forward***

Although current Indiana State law prohibits South Bend from enacting split-rate property taxation, the *Boehm v. Town of St. John* decision provides a legislative solution. The General Assembly could amend Title 6 of the Indiana Code to authorize local governments to adopt split rate systems, provided those systems are structured to preserve the constitutional requirement of “uniform and equal rate of property assessment and taxation.”<sup>71</sup>

For example, a legislative reform could define land and improvements as distinct property classifications, each subject to separate – but internally uniform – tax rates. Additionally, a reform could allow local jurisdictions to opt into a split-rate system under state oversight and require DLGF approval of either or any proposed models to ensure they meet constitutional standards of uniformity.

Such changes would require both state statutory amendments and the creation of new administrative guidelines by the DLGF. If necessary, lawmakers could pursue a constitutional amendment to explicitly permit split-rate taxation, although this is not strictly required given the

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<sup>69</sup> *Legislative Services Agency Report*. (2023). Indiana General Assembly. <https://iga.in.gov/>

<sup>70</sup> Indiana Code § 36-1-3-8(a)(6)

<sup>71</sup> Indiana Constitution, Article 10, § 1(a).

current jurisprudence as described by *Boehm v. Town of St. John*.<sup>72</sup> Until such changes occur, South Bend lacks the legal and institutional capacity to pursue split-rate property taxation on its own.

### ***Locally in South Bend***

The Molnar Realty Group determined that even though Indiana’s “circuit breaker” legislation limits property tax rates to two percent of the assessed value of a property, St. Joseph County has higher tax rates relative to the rest of Indiana. Even though homestead and mortgage exemptions often bring the tax rate below the circuit breaker levels, “eight of the twenty highest tax rate districts are in St. Joseph county.”<sup>73</sup> The article determined that it is still legally viable for property owners to apply for the exemptions that the circuit breaker system determines South Bend residents are eligible for.<sup>74</sup>

The State of Indiana Department of Local Government Finance permits intra-Indiana counties to outline their own taxing districts. Thus, the St. Joseph County website provides data on ‘Yearly Tax Rate’ administrated in their own respective taxing districts. The 2025 per-taxing-district data indicates a subtle decrease in the legal district rates from 2024. For example, the South Bend - Centre district saw a decrease from 5.3227 to 4.9608, the South Bend - Clay district saw a decrease from 5.3384 to 4.9757, and the South Bend - German district saw a decrease from 5.3215 to 4.9602.<sup>75</sup>

The South Bend, Indiana Municode Codification also provides legal ordinance information on tax abatement programs that help stimulate economic development by providing temporary reductions in property taxes for various qualifying projects. The Tax Abatement Procedures article indicates that the South Bend Common Council “find that there is a need to develop improved tax abatement procedures” because they believe they are “necessary to encourage

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<sup>72</sup> *Boehm v. Town of St. John*, 675 N.E.2d 318. (1996). Indiana Case Law.  
<https://law.justia.com/cases/indiana/supreme-court/1996/49s10-9608-ta-544-4>

<sup>73</sup> *Property Tax Basics – St. Joseph County*. (n.d.). RealSt8: The Molnar Realty Group.  
<https://www.realst8.com/real-estate/circuit-breaker/?utm>

<sup>74</sup> Ibid.

<sup>75</sup> *2025 Tax Rates Per Taxing District*. (2025). State of Indiana Department of Local Government Finance.  
<https://www.sjcindiana.gov/DocumentCenter/View/65579/2024-2025-Tax-Rates?bidId=>

economic development within the City’s corporate boundaries.”<sup>76</sup> Prospective applicants seeking tax abatements adhered to a structured and rigorous application process (including submitting a comprehensive petition, providing projected costs, and providing anticipated job creation). Recent South Bend Common Council approvals for tax abatements include the redevelopment of a vacant building on Michigan Street and a plot of land on Old Cleveland Road.<sup>77</sup>

Although these tax abatement procedures are in place to promote developments on land—specifically vacant land—the “home rule” authority (stringent residential tax abatement procedures) set particular economic criteria. The goal of these tax abatement procedures is to promote development, but the procedures under the “home rule” section do not currently accommodate for a split-rate tax structure. Simply put, if a split-rate tax structure were to be legally implemented, the current system would require significant revisions to local ordinances. The split-rate tax would promote adequate economic development and would crowd out the current system. Furthermore, the Council needs to define new assessment and taxation methodologies to value land and developments appropriately.<sup>78</sup>

## Implementation Steps - A Realistic Timeline

As stated in the South Bend Authority section above, the Authority of South Bend to alter its Property Tax System is currently regulated under essentially a three-fold system of barriers.

1. The State of Indiana Constitution --- Article 10, Section 1<sup>79</sup>
2. The State of Indiana Legislation --- IC 6-1.1-2-2 and IC 6-1.1-2-4<sup>80</sup>
3. Department of Local Government and Finance

The implementation of a shifted tax rate system from a traditional to a split-rate tax system would require a (1) constitutional amendment to Indiana’s Constitution **allowing non-uniform**

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<sup>76</sup> *Article 6: Tax Abatement Procedures, Chapter 2: Administration.* (n.d.). South Bend Code of Ordinance, Section 76. ([https://library.municode.com/in/south\\_bend/codes/code\\_of\\_ordinances?nodeId=SUHITA\\_CH2AD\\_ART6TAABPR\\_DIV1\\_1INREAPSETAAB\\_S2-84.13ANREPECO](https://library.municode.com/in/south_bend/codes/code_of_ordinances?nodeId=SUHITA_CH2AD_ART6TAABPR_DIV1_1INREAPSETAAB_S2-84.13ANREPECO))

<sup>77</sup> Ibid.

<sup>78</sup> Ibid.

<sup>79</sup> *Article 10 - Finance.* Constitution of 1851, Indiana Historical Bureau. (<https://www.in.gov/history/about-indiana-history-and-trivia/explore-indiana-history-by-topic/indiana-documents-leading-to-statehood/constitution-of-1851/article-10-finance/>)

<sup>80</sup> Indiana Code. Title 6, Article 1.1, Chapter 2. (2023). Indianapolis: Indiana General Assembly. (<https://iga.in.gov/laws/2023/ic/titles/6#6-1.1-2>)

**taxation** across real property, (2) approved state legislature **allowing for adjusted property tax** percentage boundaries, and (3) a county specific re-evaluation/**new system of assessment for property values.**

The state of Indiana currently operates its constitutional amendment procedure as a legislatively referred method. As defined in Article 16 of the Indiana Constitution,<sup>81</sup> amendments must be proposed in a chamber of the General Assembly, agreed upon by a simple majority of both chambers, and proposed in the session of legislature that convenes after a general election. If approved in that session, the amendment is then sent to the ballot for general election. The proposed amendment becomes part of the Constitution if passed in the general election. State Court Report records that the state of Indiana has historically only amended its constitution “once every three to four years on average.”<sup>82</sup> This is consistent with historical timelines of Indiana amendments.

Next, the Indiana State Legislation would require an adjustment to allow for new property tax percentage boundaries. An introduced bill rewriting the boundaries/caps of tax rates must be agreed upon in language by both the State Senate and House of Representatives. Once adjusted (if necessary) and approved by both chambers, the bill is sent to the Governor’s desk where it is either approved or vetoed. If approved by the Governor, the bill becomes a law. Historically, changes to Indiana Legislation have not taken very long. In the 2024 Legislative Session, Indiana General Assembly passed a total of 172 laws.<sup>83</sup>

The following presents a brief timeline of introduction to effective of two bills from the 2024 Legislative Session:

Senate Bill No. 185 was first introduced on Jan. 9, 2024 / Passed in Senate on Jan. 30, 2024 / Passed in House on Feb. 20, 2024 / Signed Law on Mar. 11, 2024 / Set to take

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<sup>81</sup> *Article 16, Indiana Constitution.* (n.d.). Ballotpedia. [https://ballotpedia.org/Article\\_16\\_Indiana\\_Constitution](https://ballotpedia.org/Article_16_Indiana_Constitution)

<sup>82</sup> Dinan, J. (2023). *Constitutional Amendment Processes in the 50 states.* State Court Report. <https://statecourtreport.org/our-work/analysis-opinion/constitutional-amendment-processes-50-states#:~:text=States%20vary%20in%20how%20often.to%20four%20years%20on%20average.>

<sup>83</sup> Adair, K. & Smith, B. (2024). *Dozens of New Indiana Laws Passed in 2024 Take Effect July 1.* WFYI Indianapolis, NPR. <https://www.wfyi.org/news/articles/dozens-of-new-indiana-laws-passed-in-2024-take-effect-july-1#:~:text=The%20Indiana%20General%20Assembly%20averaged,over%20the%20last%20half%20decade.&text=The%20Indiana%20General%20Assembly%20passed,laws%20take%20effect%20July%201.>

effect July 1, 2024. This total timeline from introduction to law totals 61 days, 173 days from introduction to effective.<sup>84</sup>

House Bill No. 1426 was introduced Jan. 16, 2024 / Passed in House Feb. 5, 2024 / Passed in Senate Mar. 5, 2024 / Signed Law Mar. 12, 2024 / Set to take effect July 1, 2024. Total time from introduction to law totals 55 days, 166 days from introduction to effective.<sup>85</sup>

For St. Joseph County, the overseer of property assessments in South Bend, to develop a new method of land value evaluation, the timeline is less predictable. The county has options in this process. In order to implement a new system, thorough assessment methodologies must be developed. The county could create these methods themselves which would require, of course, a longer time, or the county could contract with companies to do this method assessment, as it contracts with outside organizations for other issues. This new method would need to be agreed upon and implemented by the county Board of Commissioners who “serve as the executive and administrative authority for the county.”<sup>86</sup> This total process of research – by county or contractor – would likely take 2-3 years for implementation.

The realistic timeline for a split-rate tax system to be implemented in the city of South Bend, due to large roadblocks in the Indiana Constitution and State Legislature, seems to be anywhere between 4-5 years – assuming both the amendment and bill are widely accepted and only require language adjustments and voter approval.

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<sup>84</sup> *Senate Bill 185: Student Use of Wireless Communication Device.* (2024). Indiana General Assembly, Regular Session: Public Law 24. <https://fastdemocracy.com/bill-search/in/2024/bills/INB00012813/>

<sup>85</sup> *Ibid.*

<sup>86</sup> *Board of Commissioners.* (n.d.). St. Joseph’s County. <https://www.sjcindiana.gov/402/Board-of-Commissioners#:~:text=The%20Board%20of%20County%20Commissioners.administrative%20authority%20for%20the%20county.>

## Implementation Barriers

### Property Tax Caps & Assessment Methodologies

Even if South Bend gained legal permission to implement a split-rate tax system, Indiana’s property tax caps are an important aspect to note when discussing the feasibility of a split-rate tax system. A property tax cap is a limit on property taxes in Indiana to ensure that a property owner does not pay more than a fixed percent of the property’s gross assessed value.<sup>87</sup> These caps, established by Indiana’s Circuit Breaker Law, limit property tax rates to 1% of assessed value for private homes, 2% for rental and agricultural properties, and 3% for commercial and industrial properties.<sup>88</sup> Additionally, Circuit Breaker Credits are the total tax credit given by the county auditor when the total tax liability for the property exceeds the property tax cap.<sup>89</sup> A Circuit Breaker Credit is only applied when the liability exceeds the tax cap after all other deductions have been applied.<sup>90</sup> Currently in South Bend about 92% of properties already hit a circuit breaker cap. This means **almost all properties in the city are already taxed at the maximum rate** of 1% of assessed value for private homes, 2% for rental and agricultural properties, or 3% for commercial and industrial properties.<sup>91</sup>

St. Joseph County, which oversees property assessments in South Bend, currently evaluates land and improvements as a combined taxable value.<sup>92</sup> Shifting to a split-rate tax would require the county to develop new assessment methodologies, creating additional administrative costs and potential valuation disputes.<sup>93</sup> Land reassessment can be very expensive and inefficient. Not only will the city of South Bend need to outsource to specialized assessors who can effectively distinguish land value –location, zoning, infrastructure access, and market conditions– from improvement value– buildings and other enhancements – but they would also need to install a system of communication and transparency to South Bend landowners about their respective

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<sup>87</sup> *Property Tax Caps & Circuit Breaker Credits Fact Sheet*. (2024). Indiana Department of Local Government Finance. <https://gov.pulaskionline.org/wp-content/uploads/sites/4/2024/05/2024-DLGF-240429-Fact-Sheet-Circuit-Breaker-Caps.pdf>

<sup>88</sup> *Indiana Code. Title 6, Taxation. Indianapolis*. (2023). Indiana General Assembly. <https://iga.in.gov/laws/2023/ic/titles/6>

<sup>89</sup> *Property Tax Caps & Circuit Breaker Credits Fact Sheet*. (2024). Indiana Department of Local Government Finance. <https://gov.pulaskionline.org/wp-content/uploads/sites/4/2024/05/2024-DLGF-240429-Fact-Sheet-Circuit-Breaker-Caps.pdf>

<sup>90</sup> Ibid.

<sup>91</sup> Ibid.

<sup>92</sup> *Assessment Manual*. (2023). Indiana Department of Local Government Finance. <https://www.in.gov/dlgf/files/2023-Assessment-Manual.pdf>

<sup>93</sup> *Assessment Guidelines*. (n.d.). Indiana County Assessor. <https://www.indianacountvassessors.org/resources/assessment-guidelines>

valuation changes. The burden of land reassessment would fall on the St. Joseph County Property Tax Assessment Board of Appeals (PTABOA),<sup>94</sup> a group that would be hesitant to the policy because of the costs of reassessment. As market value-in-use of property is the sole determinant of the maximum taxes paid for a property when property tax caps are in place, the issue of assessments becomes even more important.

Ultimately, the city cannot independently implement a split-rate tax without explicit approval from the Indiana General Assembly and possibly an amendment to the Indiana Constitution, as explained above. However, if such approval were granted, **property tax caps would not limit the effectiveness of a split-rate tax system in raising additional revenue.**

## **Tax Increment Financing**

### ***Tax Increment Financing Background***

Tax increment financing (TIF) is a common method used by cities to spur economic development in specific areas, especially in those that are currently blighted and underdeveloped. In simple terms, a TIF works to pay for development within an area by leveraging the future increased property tax revenue that the new development will bring.<sup>95</sup> Used to fund housing, economic development in neighborhoods, and transportation infrastructure that would otherwise not materialize without the implementation of a TIF, many cities, including those in Indiana, rely on them to finance a significant portion of their development.<sup>96</sup>

### ***Tax Increment Financing Process***

For a municipality to implement a TIF, an area is first selected by proving that without the implementation of a TIF, future development will not occur (Figure 11 - District 1, highlighted in blue). At this point, a base year is declared, with all property tax revenue in the base year going towards the local taxing authorities as normal. Cities then sell bonds to finance new

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<sup>94</sup> *Appeals - Property Tax Assessor Board of Appeals*. St. Joseph County Assessor, IN.

<https://stjoepros.org/2356/Appeals-PTABOA>

<sup>95</sup> *Value Capture: Frequently Asked Questions - Land Value Tax..* (2020). Center for Innovative Finance Support, U.S.

Department of Transportation Federal Highway Administration.

[https://www.fhwa.dot.gov/ipd/value\\_capture/defined/faq\\_land\\_value\\_tax.aspx#:~:text=Most%20State%20or%20local%20governments.against%20the%20value%20of%20land.](https://www.fhwa.dot.gov/ipd/value_capture/defined/faq_land_value_tax.aspx#:~:text=Most%20State%20or%20local%20governments.against%20the%20value%20of%20land.)

<sup>96</sup> Deboer, L. (2018). *The Use of Tax Increment Financing in Local Governments*. Department Agricultural Economics, Purdue University. <https://pcrd.purdue.edu/ruralindianastats/downloads/The-Use-of-Tax-Increment-Finance.pdf>

developments in the area. As these improvements (such as roads, utilities, buildings, etc.) are built, the assessed property values of the surrounding area increase, as these new improvements and subsequent economic development makes them worth more. At this point, any new tax revenue (tax increments) captured from this increase in property value goes towards the financing of the TIF, used to pay back the bonds taken out for the development.<sup>97</sup> All the tax revenue as determined by the property value in the base year still contributes to the local levy, but the whole of the new revenue created by any increase in property value from the base year does not.

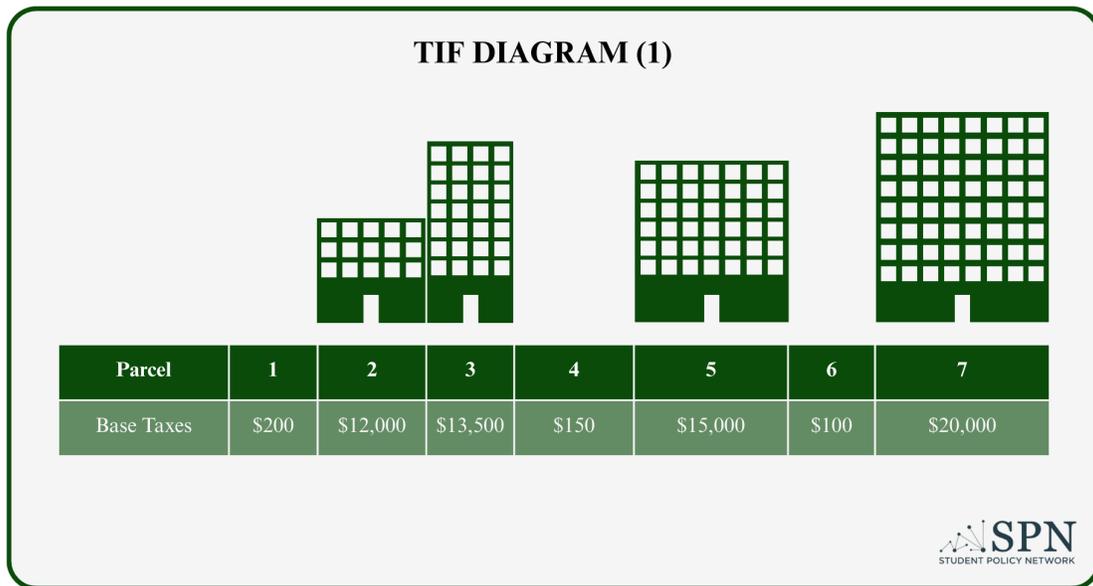


Fig. 10: *Diagram 1 of tax increment financing (TIFs).*

<sup>97</sup> Ibid.

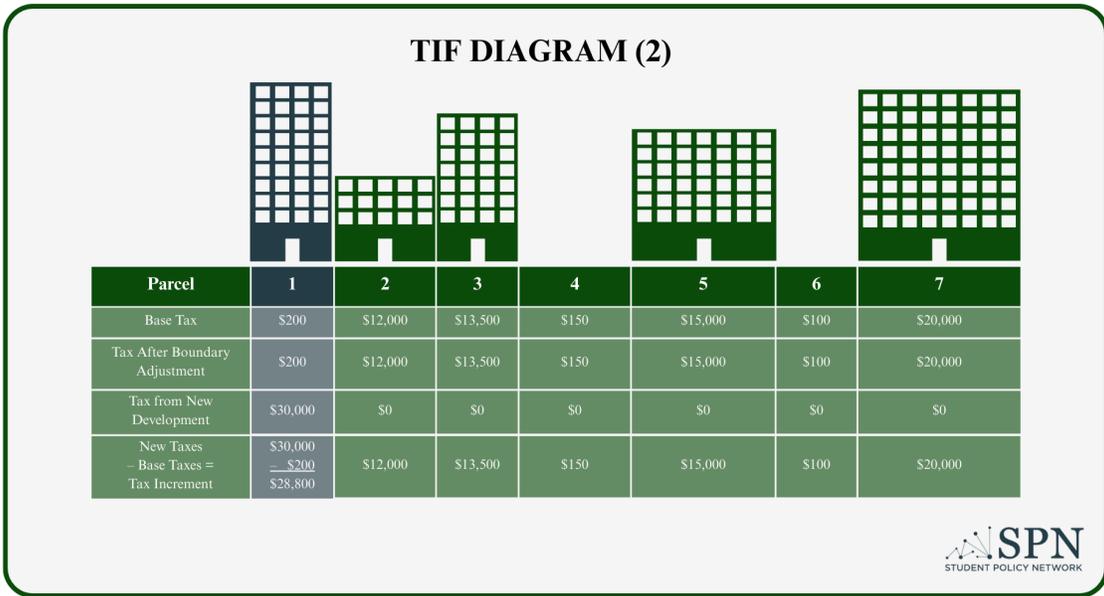


Fig. 11: Diagram 2 of tax increment financing (TIFs).

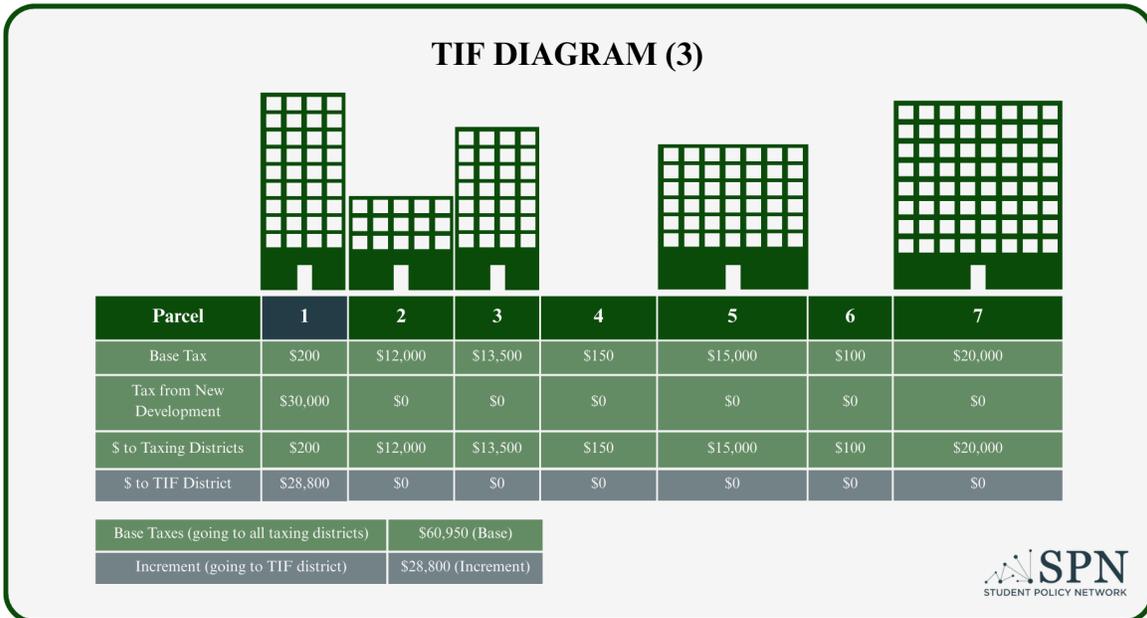


Fig. 12: Diagram 3 of tax increment financing (TIFs).

At the end of a TIF's duration, typically 20-25 years, the increased value is shifted towards the local levy.<sup>98</sup> The result of this new taxable value being added to the local tax base (often significantly more than it was to begin with, if the TIF works as it is supposed to), decreases tax rates for everyone, as the millage rate can be decreased with the addition of this new taxable value, while still collecting the same amount of revenue overall.<sup>99</sup>

Critics of TIFs argue that, if they are not implemented correctly, they can shift the tax burden to other taxpayers not involved, and have the potential to actually decrease economic activity, as well as fail to stimulate the desired economic development.<sup>100</sup> Some also point to the fact that TIFs seem to lose their effectiveness the more they are used in a given area.<sup>101</sup> Additionally, the new development caused by a TIF can lead to an increase in demand for city services, but without the simultaneous increase in tax revenue as taxes continue to go towards TIF instead of the city.<sup>102</sup> But perhaps the most significant downside, from the view of our project, is the fact that TIFs pose a significant barrier to the implementation of a split-rate taxation system, as the two models are fundamentally juxtaposed to each other, despite sharing the common goal of increasing economic development in a particular area. If split-rate taxation was used in an area using a TIF, the TIF's ability to collect on the increase in property values would be significantly damaged, as the split-rate system would lead to less property tax being collected than otherwise would be. As the desired economic development in the TIF district occurred, that development would be taxed at a lower rate (due to a lower millage rate on improvements), thus making it difficult for the TIF to generate the revenues needed to pay for the original improvements which spurred the development in the first place.

### ***Tax Increment Financing in South Bend***

South Bend is one of many cities that utilize TIFs to promote economic development. In South Bend, TIFs are used to fund a variety of projects such as improving streets, sidewalks, storm drains, and traffic controls.<sup>103</sup> More specifically, TIFs in South Bend have been allocated towards

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<sup>98</sup> Blaha, J. (2023). *Tax Increment Financing Legislative Report*. Tax Increment Financing Division, Office of the State Auditor, State of Minnesota. [https://www.osa.state.mn.us/media/bziiousup/tiflegislative\\_23\\_report.pdf](https://www.osa.state.mn.us/media/bziiousup/tiflegislative_23_report.pdf)

<sup>99</sup> Deboer, L. (2018). *The Use of Tax Increment Financing in Local Governments*. Department Agricultural Economics, Purdue University. <https://pcrd.purdue.edu/ruralindianastats/downloads/The-Use-of-Tax-Increment-Finance.pdf>

<sup>100</sup> Ibid., p. 4-5

<sup>101</sup> Ibid., p. 1-2

<sup>102</sup> *Tax Increment Financing - A Primer*. (2017). Citizens Budget Commission. <https://cbcn.org/research/tax-increment-financing-primer>

<sup>103</sup> *TIF District Expansion*. (2024). Together South Bend, City of South Bend, IN. <https://together.southbendin.gov/tif>

community assets such as Fire Stations, the Howard Park Renovation, the expansion of the Main Library, the rehabilitation of the Charles Black Center, and improvements to the LaSalle Apartments.<sup>104</sup> The parking garage, new and renovated streets, and underground utilities improvements on Eddy Street, a prominent development near the University of Notre Dame, were fully funded by a \$35 million TIF bond issued in March 2008.<sup>105</sup>

While TIF zones already make up about 21% of the parcels and 44% of the acres in South Bend, a proposed expansion of TIF zones would increase their influence to 46% of the acres in the city. These expansions would occur in the River East, River West, and South Side Development Areas.<sup>106</sup> The purpose of adjusting TIF districts in South Bend is to fund future development in the areas, capture value on developments that are underway, and to extend retail opportunities particularly in the Municipal Riverfront Development District.<sup>107</sup> The effect of this adjustment is evident through the recent announcement of a new apartment development along the St. Joseph River. The nearly 300 new apartments along the Saint Joseph River will be partially funded by a 25 year TIF bond that will go towards building a parking garage and other necessary infrastructure for the apartments.<sup>108</sup>

Another recently established TIF development area, the Northern Edge, lies at the corner of Douglas Road and State Road 933, north of Notre Dame's campus.<sup>109</sup> The motivation for this new economic development area is a massive project underway by Buckingham Companies, which manages the Foundry Apartments on Eddy Street.<sup>110</sup> The first three zones of the new development area will constitute 374 apartments at Douglas and 933, along with ground-floor retail, at an estimated cost of \$105 million, 114 two and three-bedroom rental townhomes at a cost of \$56 million, and 77 senior living apartments to be built for about \$23 million.<sup>111</sup> A fourth area was also established where developers are predicted to spend an estimated \$5 million to

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<sup>104</sup> Ibid.

<sup>105</sup> Brown, D. (2008). *Notre Dame Closes on Sale and Lease of Land for Eddy Street Commons*. Notre Dame News.

<https://news.nd.edu/news/notre-dame-closes-on-sale-and-lease-of-land-for-eddy-street-commons/>

<sup>106</sup> *TIF District Expansion*. (2024). Together South Bend, City of South Bend, IN. <https://together.southbendin.gov/tif>

<sup>107</sup> *2024 TIF District Adjustments*. (2024). Presentation to South Bend Common Council, City of South Bend, IN.

<https://together.southbendin.gov/tif>

<sup>108</sup> Lumma, G. (2025). *Nearly 300 New Apartments Coming to Downtown South Bend*. WSBT 22.

<https://wsbt.com/news/local/new-apartment-units-project-developers-development-housing-needs-studio-three-bed-rent-taxes-financing-crowe-llp-building-st-joseph-river-howard-park-downtown-south-bend-indiana>

<sup>109</sup> Parrot, J. (2024). *Long-planned Apartments Coming Near Notre Dame's Northern Edge*. WVPE.

<https://www.wvpe.org/2024-06-25/long-planned-apartments-coming-near-notre-dames-northern-edge>

<sup>110</sup> Ibid.

<sup>111</sup> Ibid.

ready that site for new commercial use.<sup>112</sup> The first three zones pledged 85% of the revenue to bonds to assist the housing development, with the remaining funds going to help incentivize other projects in that area, while 100% of the revenue from the fourth area would be used in the area.<sup>113</sup>

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<sup>112</sup> Ibid.

<sup>113</sup> Dits, J. (2024). *500+ Apartments Could Come to Edge of Notre Dame Campus. TIF District in the Works*. South Bend Tribune. <https://www.southbendtribune.com/story/news/local/2024/07/30/apartments-near-notre-dame-spur-tax-increment-finance-district-st-joseph-county-northern-edge-are/74453306007/>

## Conclusion

Through the analysis of our model and comparisons with cities where a split-rate property tax has been implemented or attempted, we were able to determine the potential effects of a split-rate property tax on the tax base and economic development in South Bend. By creating a model that taxes land at a rate four times higher than improvements and taking into account exemptions, **our analysis suggested that taxes on underdeveloped land would drastically increase**, while taxes on commercial land, office buildings, and industrial land would decrease moderately.

Data suggests a positive correlation between income and tax increases, **while communities with higher minority populations are associated with smaller increases or even decreases in tax burden under the 4:1 model**. Additionally, our research indicates that multi-family properties significantly benefit from the 4:1 model. Vacant properties and parking lots will bear the largest tax burden under the 4:1 model, suggesting that our proposal will shift taxes from productive development and onto underutilized land, encouraging investment and more efficient land use across the city.

To supplement our data, we looked to other cities for comparison. Pittsburgh and Harrisburg, Pennsylvania both implemented a split-rate property tax system, and the policy led to increases in property value and decreased vacant land in the two cities. In addition, Spokane, Washington and Detroit, Michigan have attempted to implement such a system. However, both cities have experienced difficulty receiving legislative authorization, which many politicians have chalked up to a lack of knowledge on the effects of a split-rate tax system.

For this reason, we believe that our report is a useful resource to determine the viability of a split-rate tax system in the city of South Bend. Ultimately, our report presents both the challenges and opportunities of a split-rate property tax system. **By informing the City of South Bend about the split-rate system and its potential benefits, costs, and impact on the community, our report aims to serve as a resource for further policy development.**

## Appendix A - Figures

Fig. 1: Diagram of a unified-rate tax of 2% on the sum of building and land value.

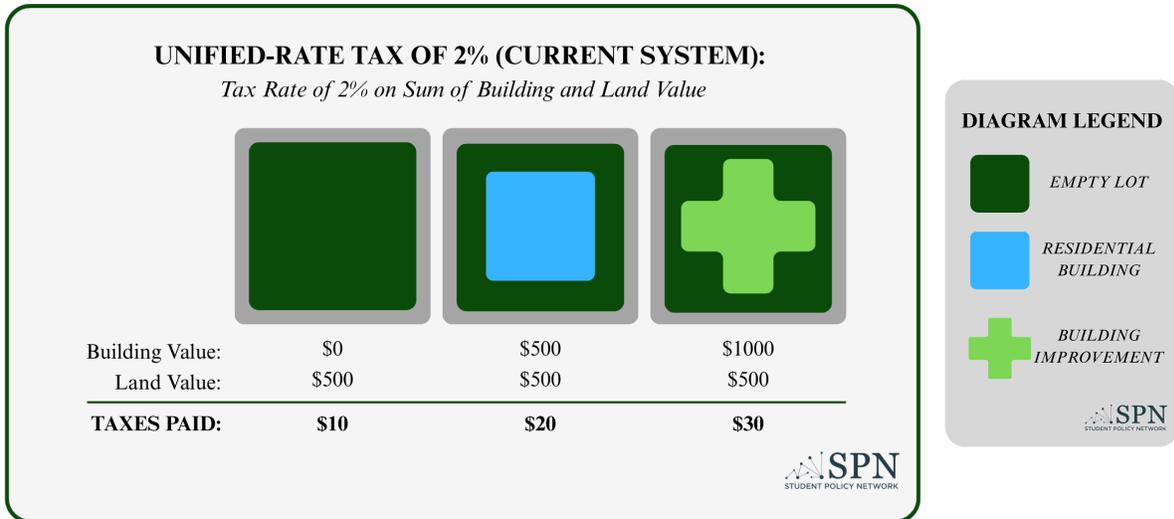


Fig. 2: Diagram of a revenue neutral (relative to unified-rate of 2%) land-value tax system with a rate of 4% on land value.

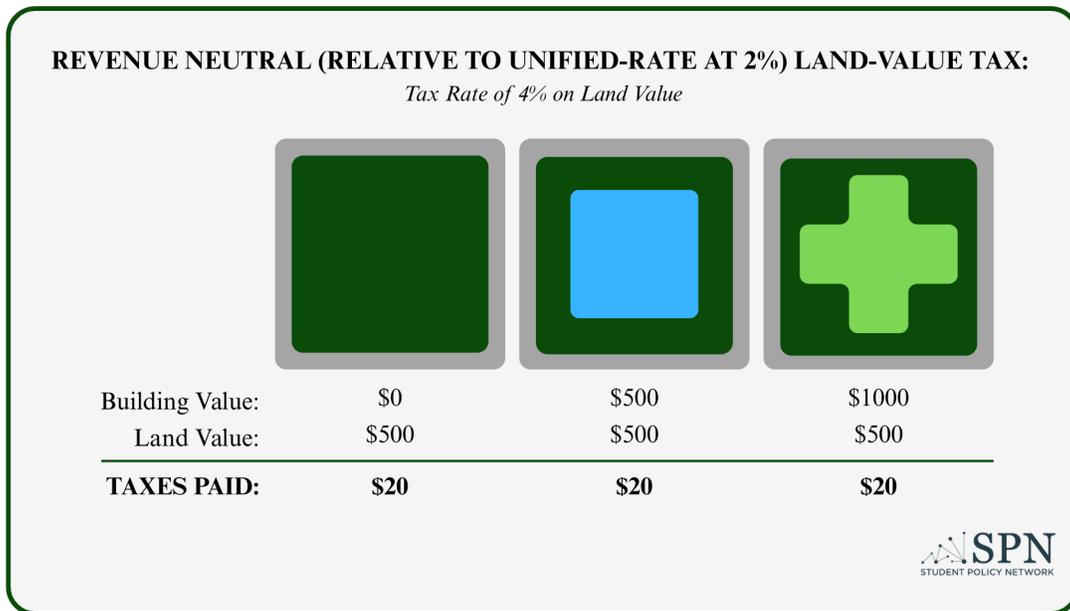


Fig. 3: Diagram of revenue neutral (relative to unified-rate of 2%) split-rate tax system with rates of 0.8% on building value and 3.2% on land value.

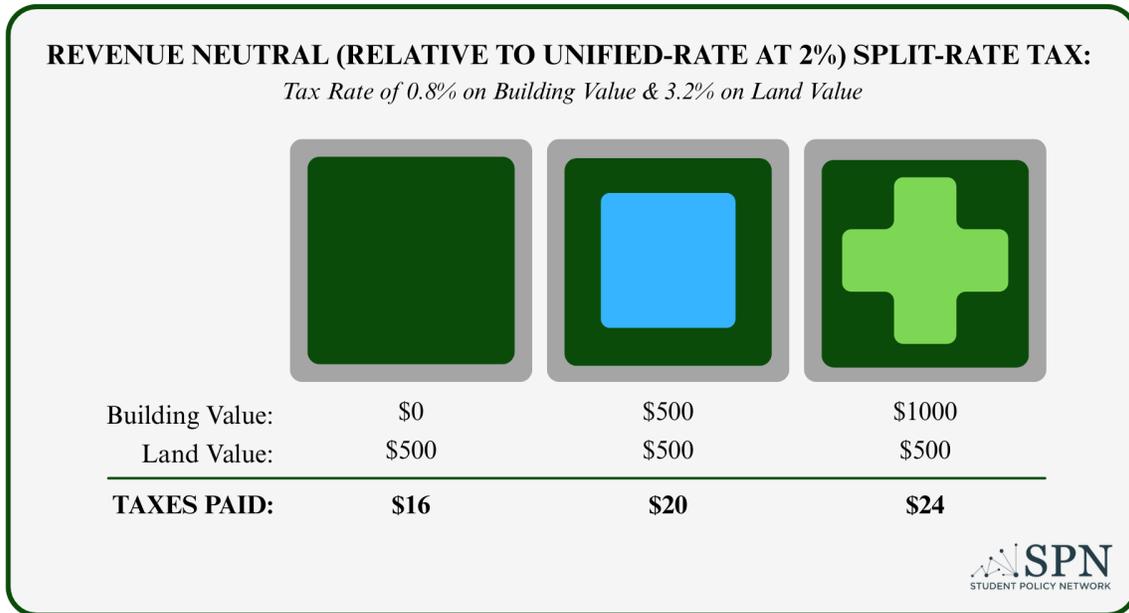


Fig. 4: Diagram of a revenue neutral split-rate tax of 2% with rates of 0.8% on building value and 3.2% on land value.

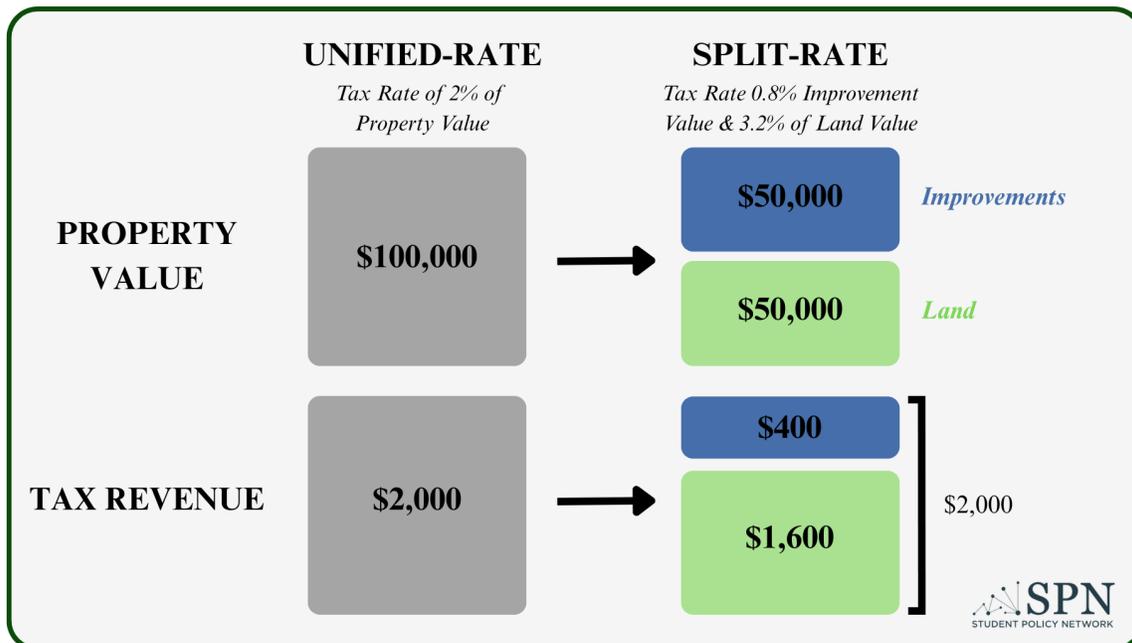


Fig. 5: Deadweight loss as a result of taxation.

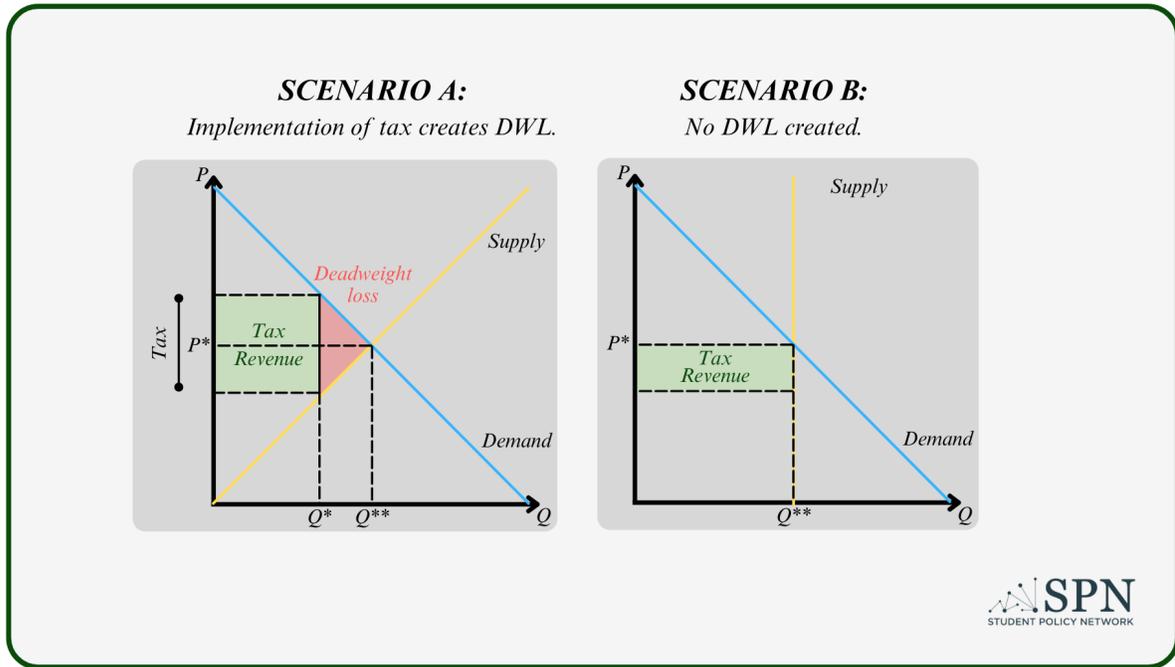


Fig. 6: South Bend population time series with closure of Studebaker noted by the blue line in 1960, and the 2.3% population increase between 2010-2020, noted by the green line in 2010.

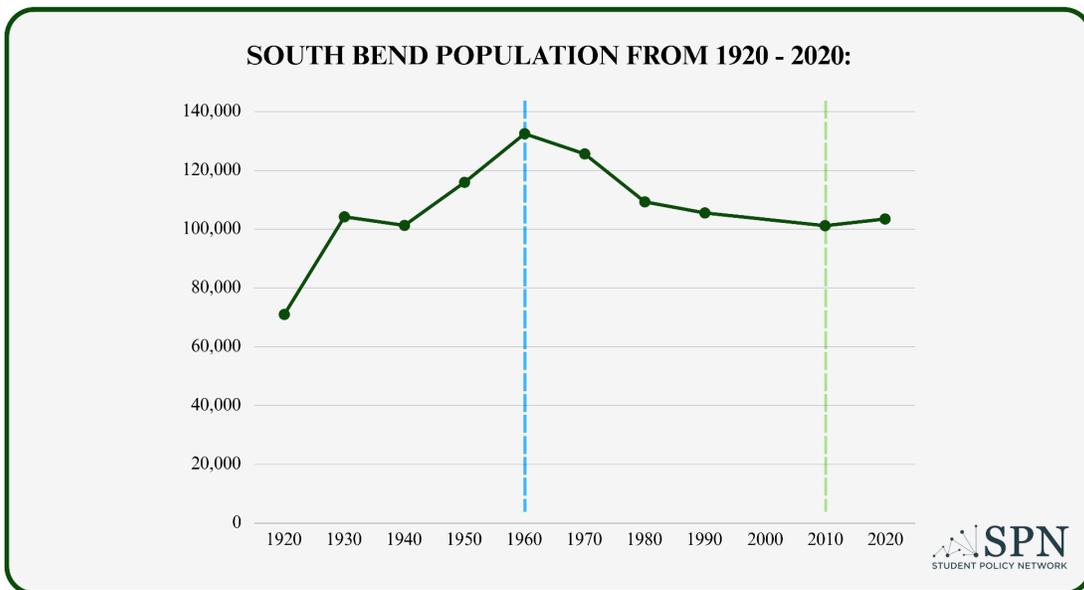


Fig. 7: Median tax percent change by property category.

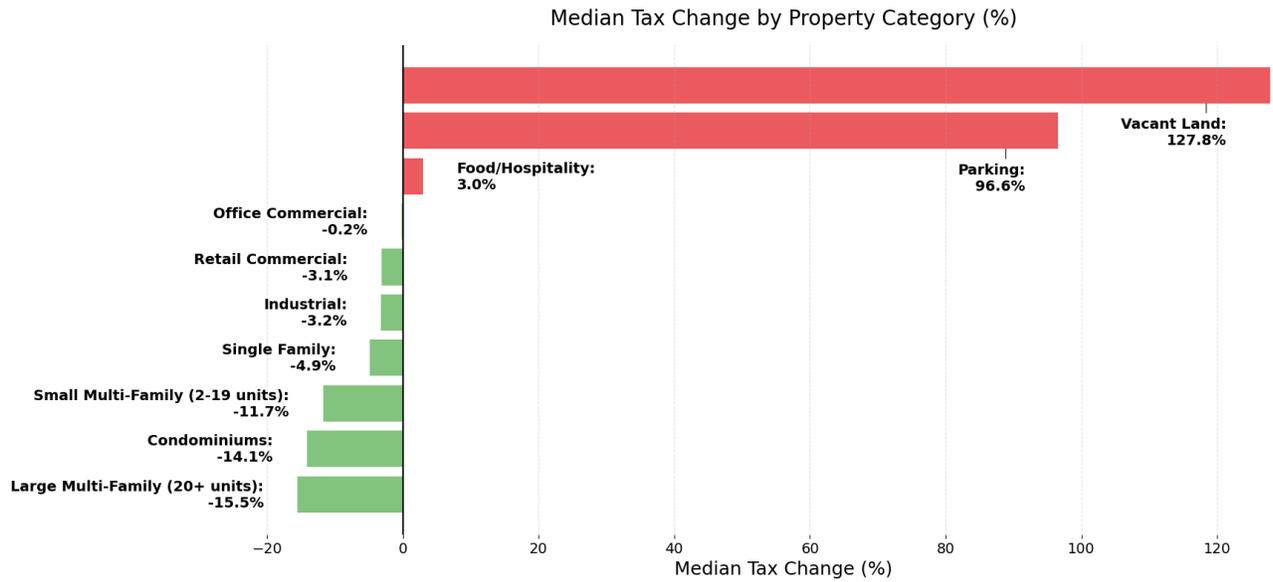


Fig. 8: Scatter plot of mean tax change vs. percent minority by Census Block Group.

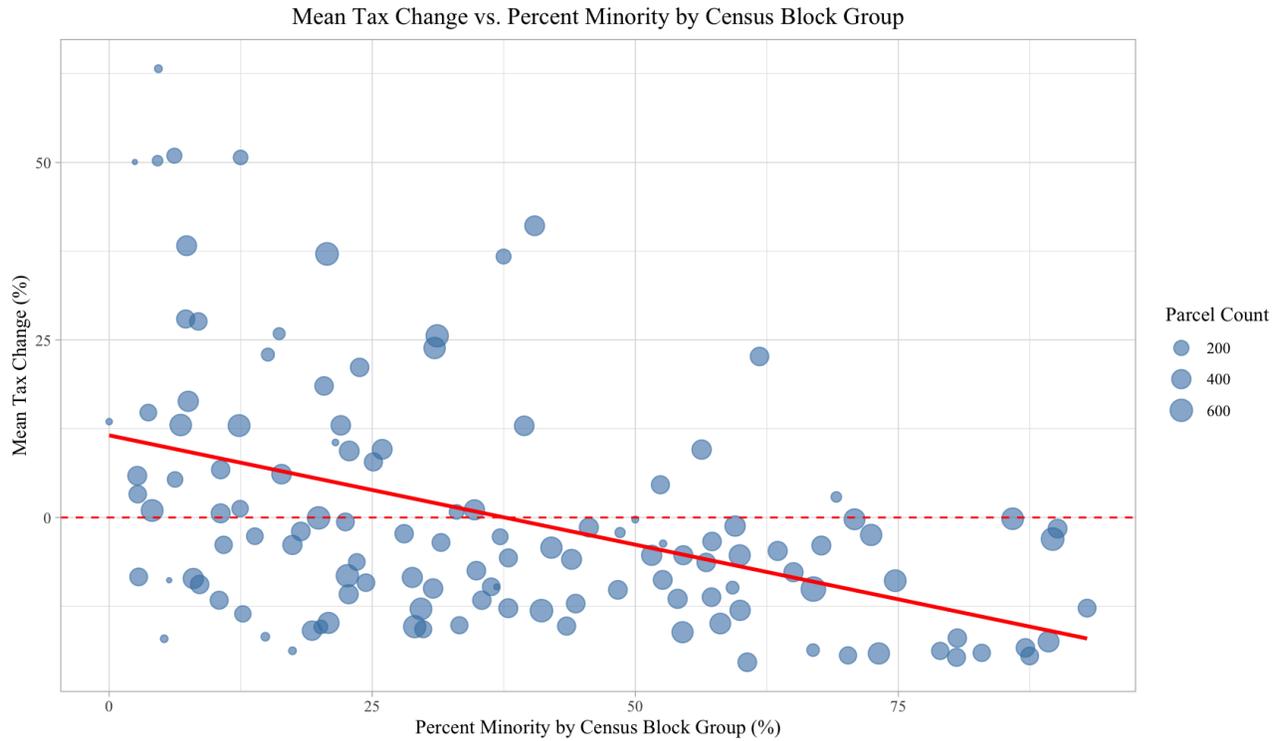


Fig. 9: Scatter plot of mean tax change vs. median income by Census Block Group.

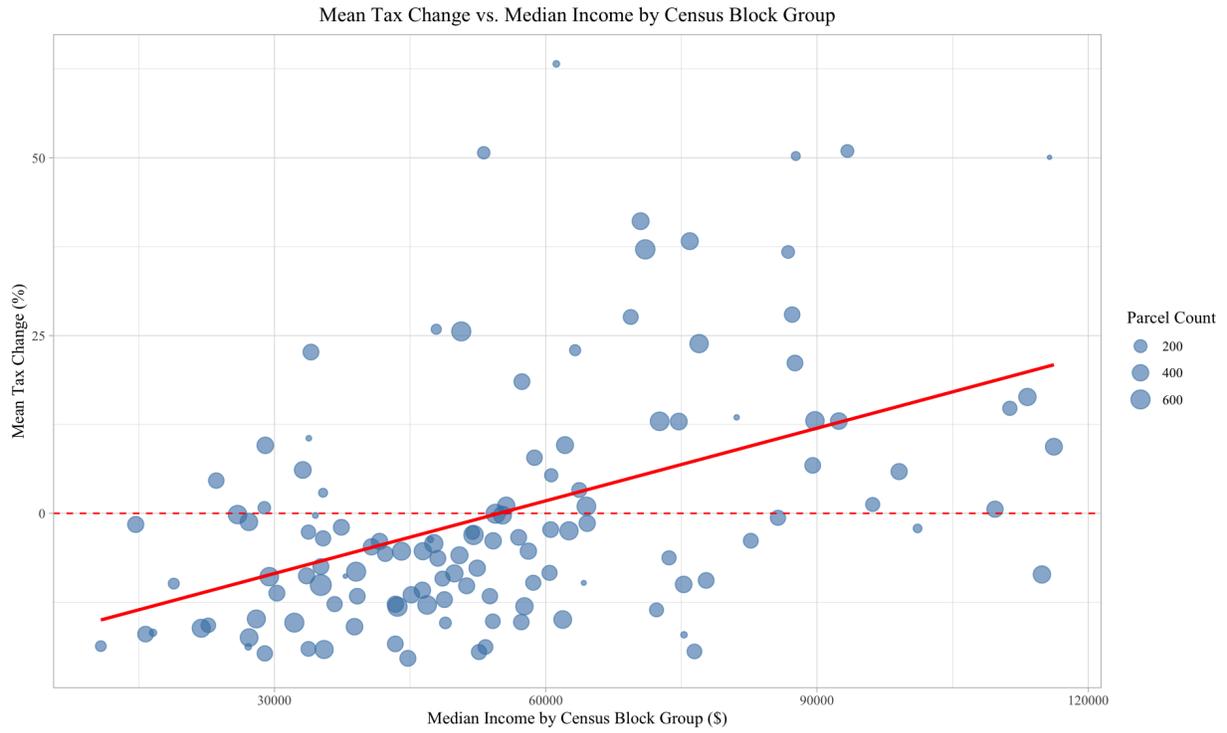


Fig. 10: Diagram 1 of tax increment financing (TIFs).

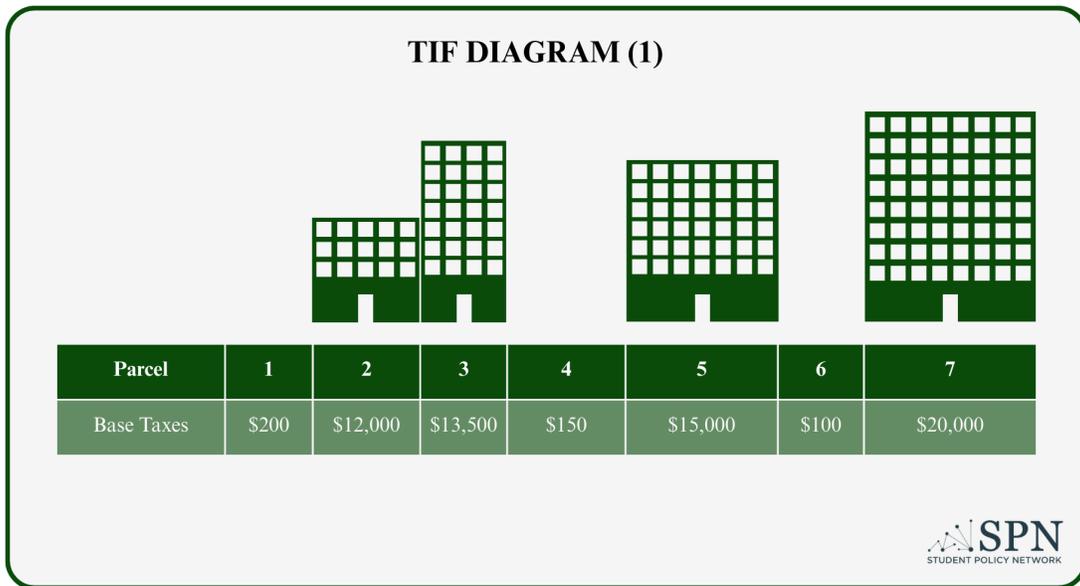


Fig. 11: Diagram 2 of tax increment financing (TIFs).

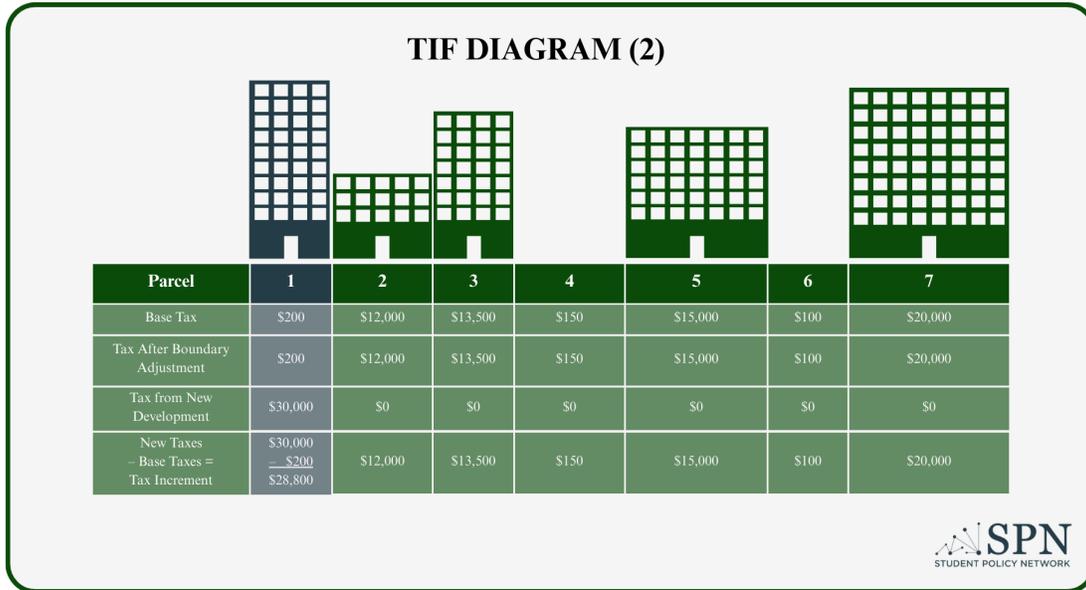
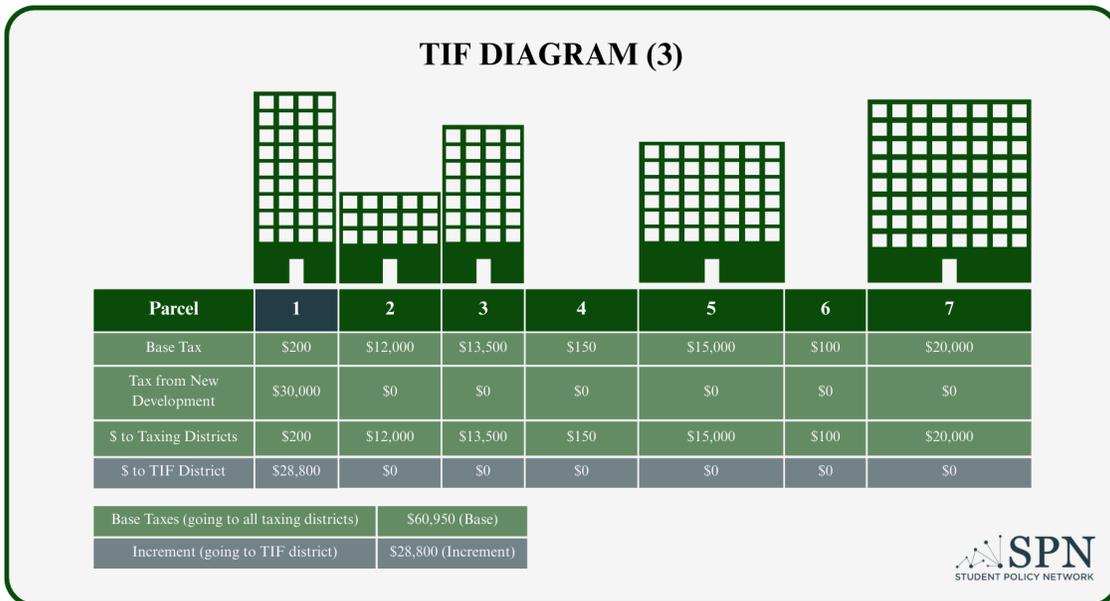
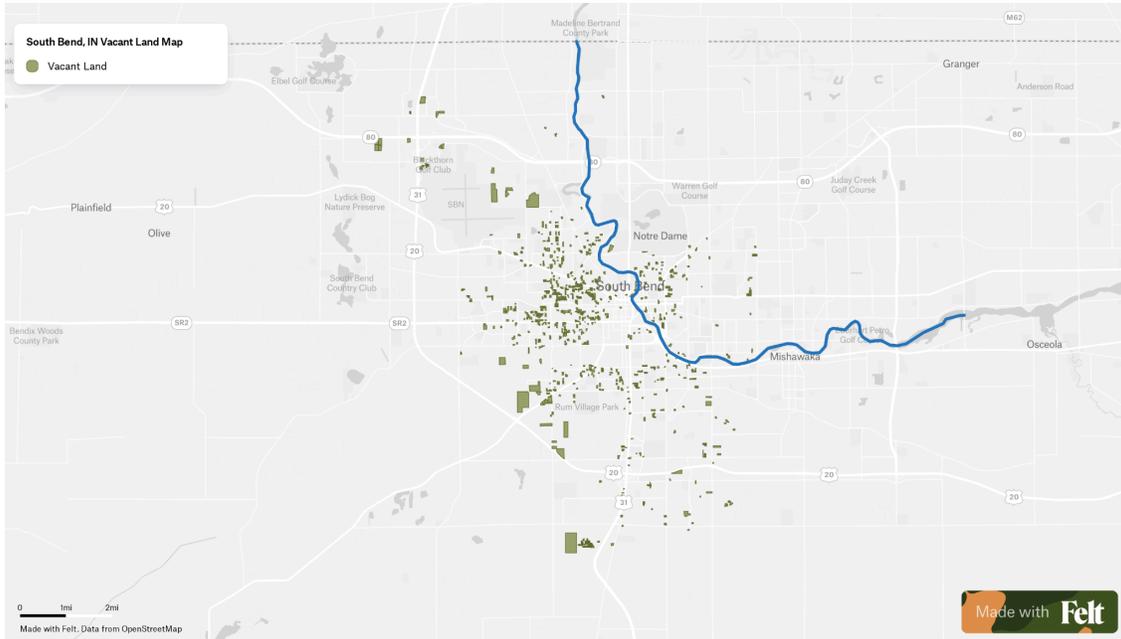


Fig. 12: Diagram 3 of tax increment financing (TIFs).

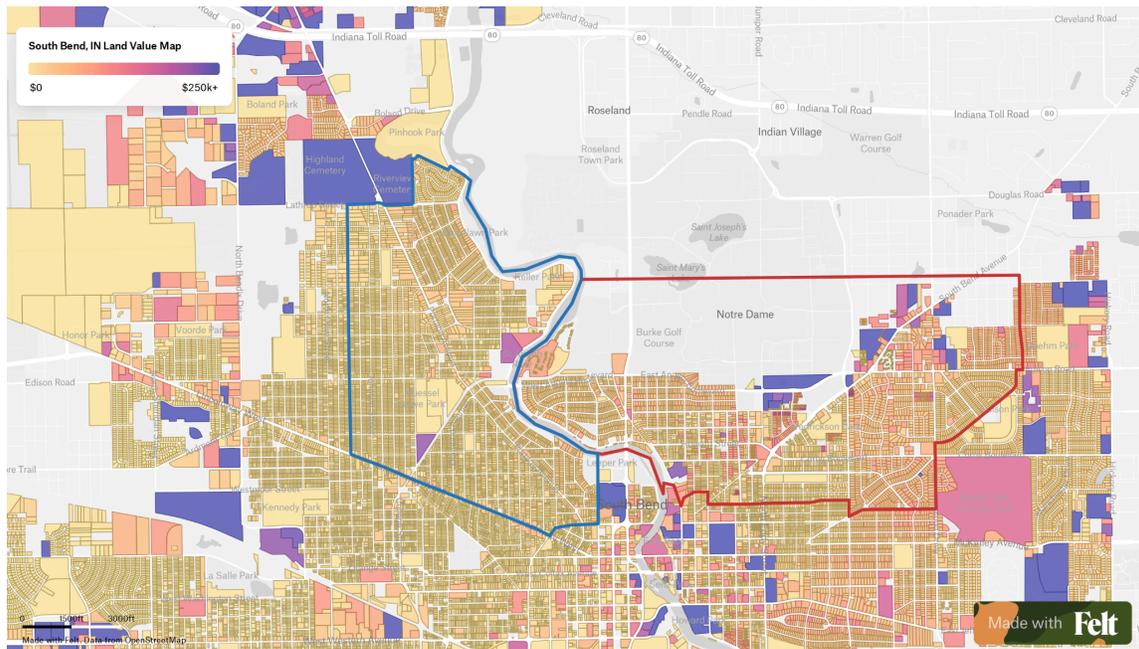


## Appendix B - Maps

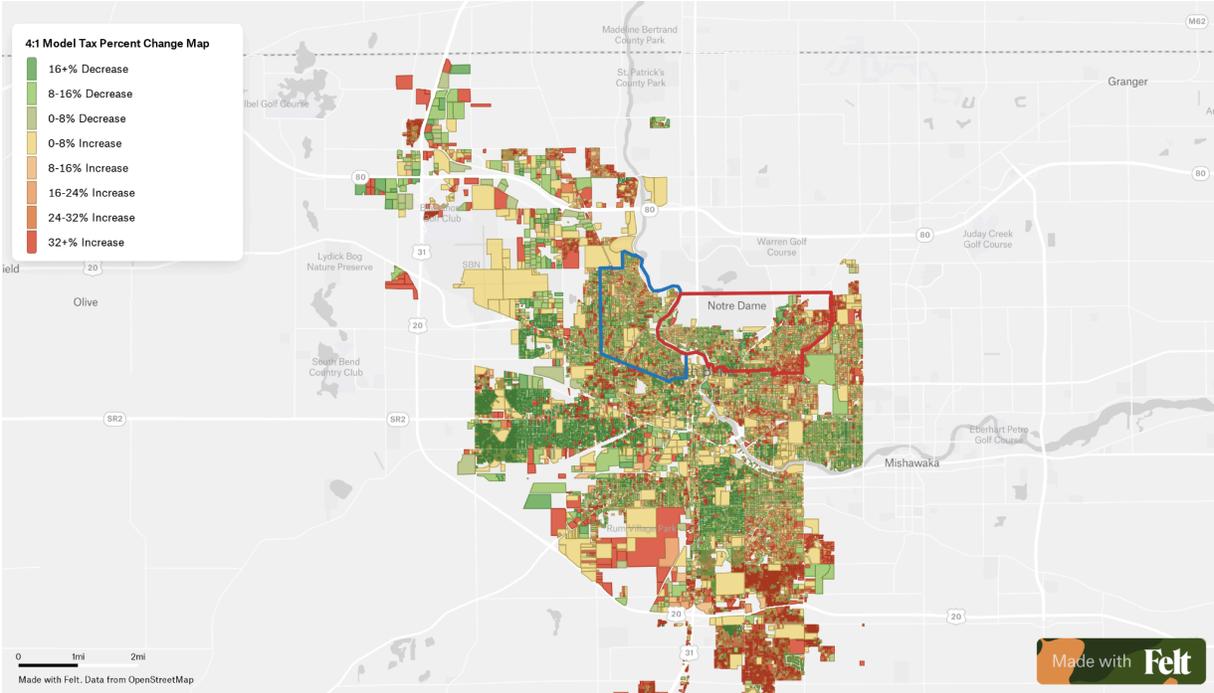
Map 1: *Vacant Land in South Bend, IN. Highlighted in blue is St. Joseph's river.*



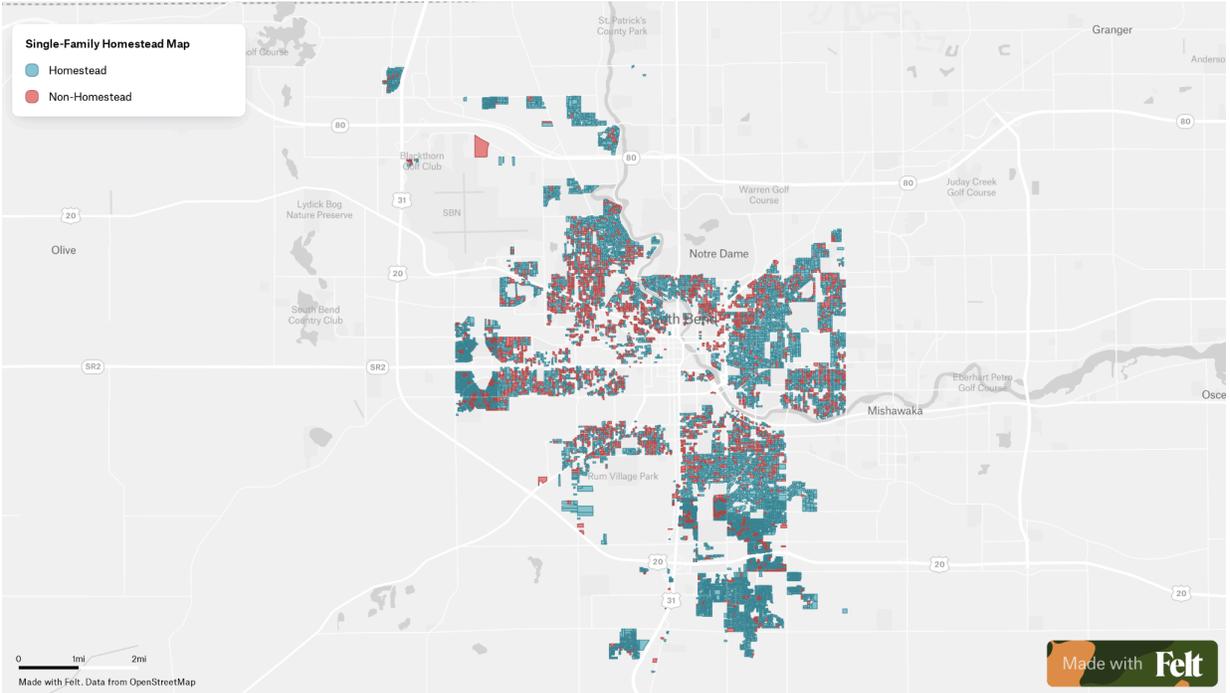
Map 2: *Land value in South Bend, IN. University of Notre Dame and surrounding area in red box, while a comparison area across the St. Joseph River and further from campus is in the blue box.*



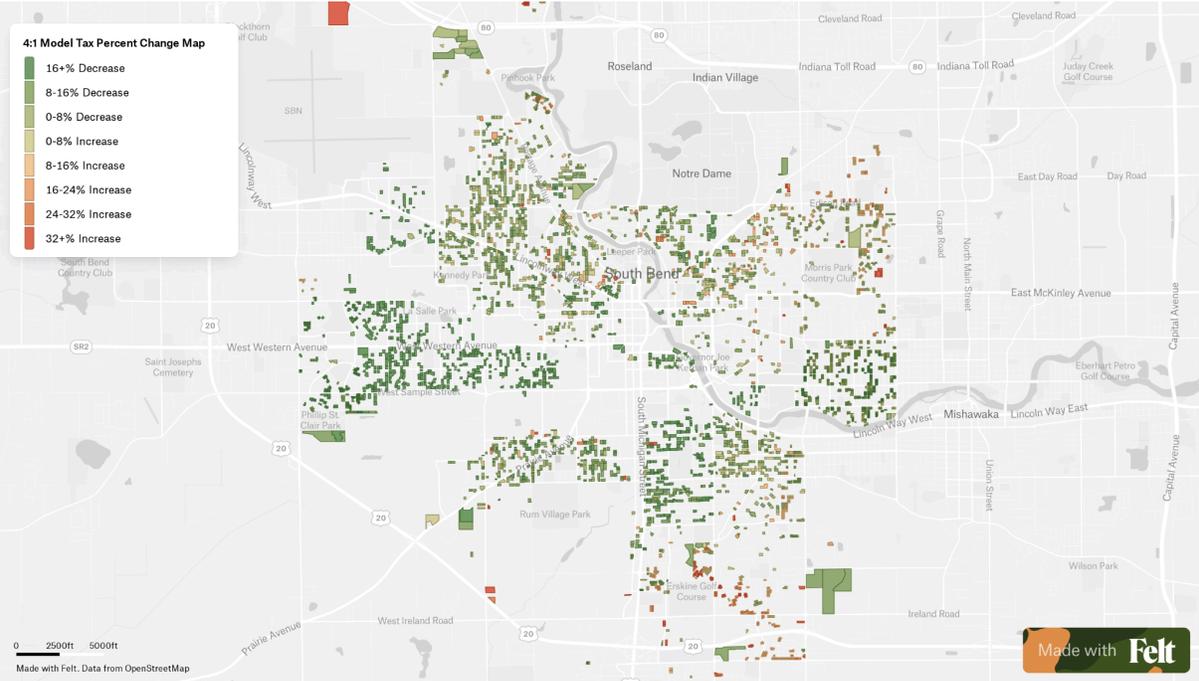
Map 3: Our 4:1 split-rate tax model mapped onto South Bend, IN. University of Notre Dame and surrounding area in red box, while a comparison area across the St. Joseph River and further from campus is in the blue box.



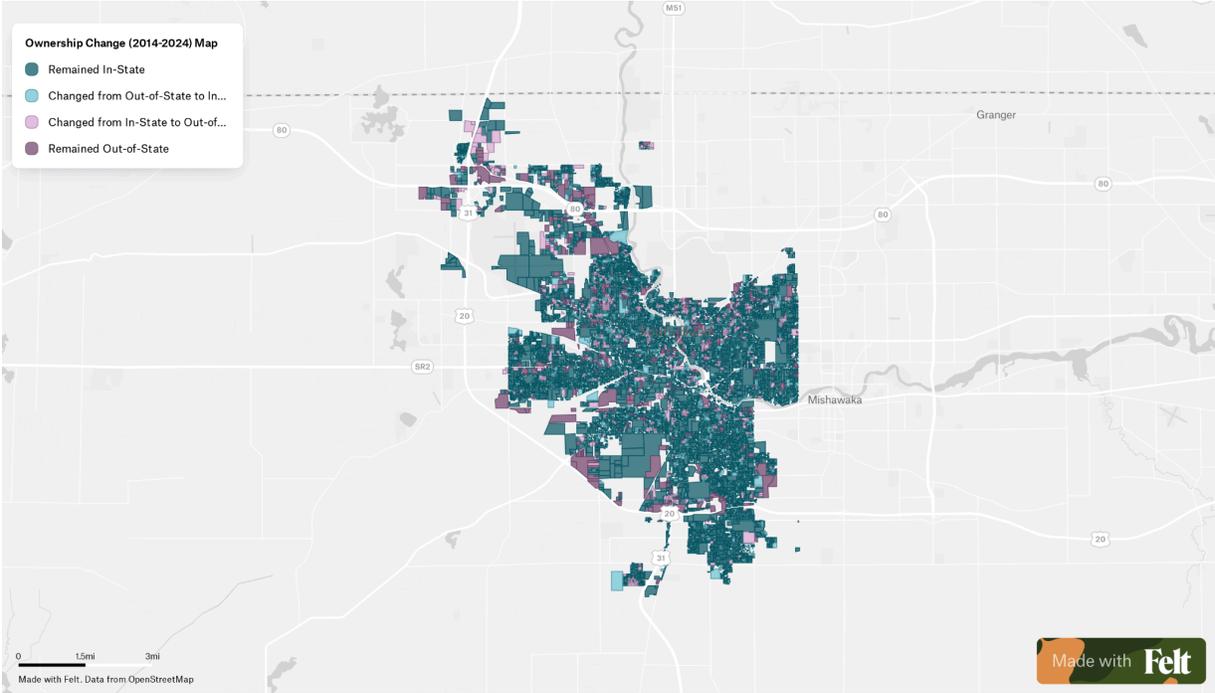
Map 4: Single-family homestead map in South Bend, IN.



Map 5: Long term rentals map illustrating tax percent change under the 4:1 model in South Bend, IN.



Map 6: Ownership change between 2014 to 2024 in South Bend, IN.



## Appendix C - Tables

**Table 1: South Bend, Indiana Descriptive Statistics Table**

Land Use	Total Parcels	Total Acres	Mean Land Value	Mean Improvement Value
Vacant	3676	933.48	\$5969.61	\$0
Single-Family	32894	6348.31	\$17644.15	\$143122.41
Multi-Family	969	591.42	\$20892.47	\$429510.73
Commercial	871	750.03	\$56958.67	\$201058.21
Parking Lots	316	84.56	\$19799.68	\$47044.62
Office	434	355.11	\$60132.72	\$539813.59
Industrial	549	2664.93	\$73640.80	\$730652.82

Table 1: *Descriptive statistics about South Bend, IN.*

**Table 2: Location Comparison Descriptive Statistics**

	Near Campus (Red)	Further from Campus (Blue)
Total Parcels	3863	4742
Mean Land Value	\$31,274.48	\$9,926.48
Mean Land Value/1000 SqFt	\$5,311.15	\$1,594.35
In-State Ownership	74.40%	87.60%
Vacancy Rate	5.57%	10.06%

Table 2: *Comparison of descriptive statistics of areas between near-campus (red) and areas across the St. Joseph River (blue), as shown in the map.*

**Table 3: South Bend, Indiana Land Use Analysis Table (4:1 Model)**

Land Use	Vacant	Single-Family	Multi-Family	Commercial	Parking Lots	Office	Industrial
Parcels Paying More	95.93%	41.40%	14.65%	52.12%	92.41%	47.24%	42.26%
Current Tax/1000 SqFt	\$3.48	\$49.05	\$65.67	\$37.87	\$17.55	\$72.56	\$29.51
New Tax/1000 SqFt	\$7.34	\$47.84	\$56.76	\$37.24	\$23.68	\$66.27	\$27.35
Tax Change/1000 SqFt	\$3.86	-\$1.20	-\$8.91	-\$0.64	\$6.13	-\$6.29	-\$2.17
Tax Percent Change	110.92%	-2.47%	-13.57%	-1.66%	34.93%	-8.76%	-7.32%

Table 3: *Effects of the 4:1 split-rate model on various land use types in South Bend, IN.*

**Table 4: Location Comparison Land Use Analysis**

	Near Campus (Red)	Further from Campus (Blue)
Mean Tax Percent Change	+13.38%	+14.11%
Mean Tax Change (Excluding Vacant Land)	+7.26%	+2.01%

Table 4: *Comparison of expected tax percent change with and without vacancies under our model's split-rate tax system between near-campus (red) and areas across the St. Joseph River (blue), as shown in the map.*

**Table 5: Single-Family Residential Descriptive Statistics Table**

	In-State	Out of State	Homestead	Non-Homestead
Total Parcels	30307	2587	22934	9960
Total Acres	5956.36	391.95	1497.20	4851.11
Mean Land Value	\$17863.37	\$15075.92	\$10025.99	\$20952.63
Mean Improvement Value	\$142982.80	\$144758.40	\$162899.27	\$97584.02

Table 5: *Descriptive statistics about single-family residential properties in South Bend, IN.*

**Table 6: Single-Family Residential Analysis Table (4:1 Model)**

	In-State	Out of State	Homestead	Non-Homestead
Parcels Paying More	43.03%	22.27%	52.53%	15.75%
Current Tax/1000 SqFt	\$44.67	\$100.30	\$40.52	\$68.67
New Tax/1000 SqFt	\$44.22	\$90.33	\$42.18	\$60.90
Tax Change/1000 SqFt	-\$0.45	-\$9.97	\$1.65	-\$7.77
Tax Percent Change	-1.01%	-9.94%	4.10%	-11.31%

*Table 6: Effects of the 4:1 split-rate model on single-family residential properties in South Bend, IN.*